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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Volume XI, No. 1 November 1, 1986

INDUSTRIAL PRODUCTION FIGURES

Product	Prod. in 1st 9 mo of 1986	1st 9 Mo. 86 as % of same of 85
Elect. (b.kw.hrs)	1167	104%
Petroleum (inc. gas cond.)(mil. metric tons)	458	103
Nat. Gas (b.cu.mtr)	503	107
Coal (mil. metric tons)	562	104
Steel (mil. met. tons)	120	105
Fertilizer (mil.tons)	25.8	106
Metal-cutting tools (mil. rubles)	2175	110
Robots (in 1000s)	11.1	120
Computer Technology (bil. rubles)	3.5	115
Tractors (mil. hp)	40.9	104
Paper (mil. metric tons)	4.6	104
Cement (mil. metric tons)	101	104
Meat(mil. metric tons)	8.4	107
Margarine (mil. tons)	1.0	104
Watches (mils)	52.3	104
Radios (mils)	6.7	104
TV sets (mils)	7.1	103
Automobiles (1000s)	991	99.9

LIVESTOCK

(in million tons)

	Prod. as of 10/01/85	Prod. as of 10/01/86
Cattle	95.4	96.5
Hogs	60.3	63.1
Sheep & Goats	121.0	124.0
Chickens	777.1	776.2

SOVIETS PUBLISH OFFICIAL HARVEST FIGURES FOR 1981 - 1985

As the harvest problem became more serious, the Soviets stopped publishing grain harvest figures in 1981. They have now released the figures for 1981-1985. It is now understandable why they stopped publica- tion. The harvest in 1981 fell to 158 million tons, from 189 in 1980. That was almost 40% below the plan. The harvest has improved subsequently, but production barely exceeded that which was obtained in 1980 and, again, remained as much as 20% below the target.

There is another newsworthy element about the Soviet curtailment of reporting their figures. The U.S. Department of Agriculture has tried to estimate what they thought the Soviet harvest figures were. In the year by year totals given below, you can compare what the Department of Agriculture estimated and what the figures now released show. Except for 1982 when the Department of Agriculture was off by 7 million tons, they usually were within 2 million of what actually was harvested. That's a remarkable acomplishment and testifies to the abilities of those who work for the Department of Agriculture on the Soviet economy.

Year	Official Sov Stats	U.S. Dept of Ag est
1981	158	160
1982	187	180
1983	192	190
1984	173	170
1985	192	190

BALANCE OF TRADE FOR THE FIRST HALF OF 1986

The impact of the drop in oil prices has significantly affected Soviet export figures. Exports for the first half of the year are down by approximately 1.6 billion rubles from the first half of 1985. In turn, 1985 exports were down from the 1984 level. Because of the fall in the price of oil, Soviet export earnings for the first half of 1986 are down approximately 3.5 billion rubles. As the Soviets usually do in these cases, they have tightened their belts. Thus the imports from Western Europe and Japan are down by about .5 billion rubles. The drop in imports is not as large as was the drop in exports and consequently, the trade balance with Western Europe and Japan has become negative, whereas the trade surplus was as high as 2.6 billion rubles in 1984. However, the Soviets have compensated to some extent by reducing grain imports from the United States, Canada, and Argentina. Overall imports from the United States for the first half of 1986 are less than half of what they were the preceding period. Similarly, Canadian imports are down by almost as much and imports from Argentina are less than 20% of what they were the preceding year. This presumably suggests the Soviets expect an improved grain harvest in 1986 although the reports about that as yet are mixed.

Soviet trade figures also reveal some interesting changes in Soviet relations with the OPEC nations in the Arab world. Soviet imports from Saudia Arabia dropped sharply. For the most part those petroleum imports never went to the Soviet Union anyway, but whereas in 1985 the Soviets recorded approximately 175 million rubles worth of petroleum imports which was rerouted to Eastern Europe and Western Europe, in the first half of 1986, that level had falled to a meager 5 million rubles worth. In addition, imports from Iran, most of which were petroleum, also dropped in the first half of 1985, as did imports from Algeria. Only in the case of Libya, where the ruble value of imports about the same which probably meant an increase in actual tons of petroleum shipped to the Soviet Union.

INDUSTRIAL PRODUCTION FOR THE FIRST NINE MONTHS OF 1986

There seems to be nothing dramatic in the new production figures for the first three quarters of 1986. Overall production continues to increase. In particular, petroleum production for the month

of September 1986 compared to September 1985 was up over 4%. The figure for the whole nine months comes to 3%. Electricity generation increased 3.4% in September 1986 over September 1985 and for the whole nine month period is up 3.7%. There have been some interesting articles about the need to conserve electricity in the aftermath of the Chernobyl accident. However, electrical generation continues to increase at a respectable rate. Coal production increased in September by over 3% and for the whole nine months by 4%.

Probably one of the most interesting developments is the gradual decline in the increase in natural gas production. September 1986 production was up only 5.6% compared to September 1985. For the whole nine months, natural gas production rose by 7%. That's in contrast to the 10% that it increased in the first nine months of 1985 over 1984. This suggests that there may be a gradual slowdown.

The other item of note is that automobile production fell slightly for the nine month period and also it is intriguing to note that retail sales of automobiles fell by 5% for the whole nine month period.

The livestock herd is much the same as it was in last months report. The number of cows has diminished as has the number of chickens. All the other major categories of livestock have increased. The number of pigs is up almost 5%.

CURRENCY FIGURES

Rubles Purchased Per 100	Sept 1986	Oct 1986
Austrian shilling	4.70	4.83
UK pound	101.36	96.06
FRG mark	33.09	33.97
US dollar	68.03	67.27
French franc	10.09	10.39
Japanese yen	.437	.436
Italian lira	.0479	.0491
Swiss franc	40.61	41.49

CONFERENCE FOR JOURNALISTS

There is still time to sign up for the Journalists Conference. Nick Daniloff and Maria Casby will talk about life as a foreign journalist inside the Soviet Union. You will also have a chance to look more intensively at life under Gorbachev.

The Russian Research Center will hold its fourth conference for journalists on November 10, 1986 (Monday), at the Harvard Faculty Club, 20 Quincy Street in Cambridge. Call Catherine Reed at (617) 495-4037 if you would like to participate.

CONFERENCE ON SOVIET SDI PROGRAM

The Russian Research Center will hold a conference which will examine what the Soviets have done to develop their Strategic Defense Initiative. With the help of Mark Kuchment, we've managed to identify several emigres who have worked on the development of some of the technologies. They will make their presentations along with American specialists who have studied what the Soviets are doing. As far as we know, this is one of the first such efforts to show not the American side, but the Soviet side. The conference will be held as usual at the Harvard Faculty Club, 20 Quincy Street in Cambridge. The date of the conference is December 1, 1986, so this will be the last announcement prior to the conference. The registration form and program are enclosed.

NOTICE

Please note on your calendars that the dates for the 1987 Arden House Conference have been changed to March 20-22, 1987.

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BALANCE OF TRADE - 1st HALF OF 1980, 1981, 1982, 1983, 1984, 1985 & 1986

(Million Rubles)

	EXPORTS FROM THE USSR							IMPORTS TO THE USSR						
	1980	1981	1982	1983	1984	1985	1986	1980	1981	1982	1983	1984	1985	1986
Austria	280	392	346	271	381	370	286	160	258	251	380	481	403	437
Belgium	401	249	530	501	577	384	280	176	268	329	305	271	298	253
Great Britain	320	349	416	502	691	549	591	516	631	354	369	395	392	301
Greece	187	350	275	173	224	238	102	44	71	78	93	64	69	33
Denmark	122	74	199	157	153	132	69	39	151	42	42	51	51	100
Spain	104	156	77	148	163	299	37	67	323	101	148	152	102	107
Italy	893	1066	1362	1446	1503	1019	757	429	498	592	793	679	659	726
Netherlands	567	430	715	895	727	402	290	178	344	217	314	132	158	126
Norway	27	28	37	30	50	56	29	39	58	34	53	46	39	46
Germany	1067	1207	2059	1614	2314	1864	1588	1603	1586	1525	1893	1726	1680	1547
France	930	1082	1168	1140	1238	990	751	937	922	727	973	907	1006	685
Switzerland	173	90	181	257	187	182	161	205	291	224	211	196	283	270
Sweden	142	93	159	293	293	235	142	132	207	207	145	132	177	148
Japan	471	407	390	388	409	456	471	907	1168	1532	1237	1036	1245	1293
SUBTOTAL	5693	5973	7914	7815	8910	7176	5554	5432	6733	6213	6956	6268	6562	5965
Sub-Balance of Trade								-261	-760	+1701	+859	+2642	+614	-411
U.S.A.	87	57	76	132	139	147	143	764	892	1672	878	1272	1764	845
Canada	15	28	14	19	9	8	6	321	489	554	651	388	408	266
Australia	3	8	6	3	6	11	5	441	381	411	278	312	402	410
New Zealand	1	2	3	1	3	2	2	115	96	166	108	31	51	63
Argentina	20	23	15	15	14	23	38	590	1060	840	798	727	769	126
Brazil	12	5	90	6	68	27	22	139	384	275	281	228	169	154
TOTAL	5831	6096	8118	7991	9149	7394	5770	7802	10035	10131	9550	9226	10125	7829
Balance of Trade								-1971	-3939	-2013	-1959	-77	-2731	-2059

SOVIET BALANCE OF TRADE WITH EASTERN EUROPE FOR THE FIRST HALF OF 1982 - 1986

(in million rubles)

	Exports from U.S.S.R.					Imports to U.S.S.R.				
	1982	1983	1984	1985	1986	1982	1983	1984	1985	1986
Bulgaria	2372	2880	3174	3156	3225	2259	2573	2823	2912	3011
Czechoslovakia	2460	2855	3346	3317	3368	2491	2766	2996	3246	3306
GDR	3093	3321	3583	3710	3826	2902	3228	3772	3821	3488
Hungary	1991	1961	2266	2207	2311	1793	1886	2042	2280	2349
Poland	2363	2595	2916	3089	3415	1880	2382	2594	2611	2750
Romania	660	849	952	889	1355	921	891	943	1083	1242
	12940	14461	16237	16368	17500	12246	13726	15170	15953	16146
	+694	+735	+1,067	+415	+1354					

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RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Volume XI, No. 2 December 8, 1986

INDUSTRIAL PRODUCTION FIGURES

Product	Prod. in 1st 10 mo of 1986	1st 10 Mo. 86 as % of same of 85
Elect. (b.kw.hrs)	1303	104%
Petroleum (inc. gas cond.)(mil. metric tons)	511	103
Nat. Gas (b.cu.mtr)	565	107
Coal (mil. metric tons)	624	103
Steel (mil. met. tons)	134	105
Fertilizer (mil.tons)	28.7	105
Metal-cutting tools (bil. rubles)	2.4	110
Robots (in 1000s)	12.4	118
Computer Technology (bil. rubles)	3.9	114
Tractors (mil. hp)	45.6	104
Paper (mil. metric tons)	5.1	104
Cement (mil. metric tons)	113	104
Meat(mil. metric tons)	8.8	107
Margarine (mil. tons)	1.2	104
Watches (mils)	58.3	104
Radios (mils)	7.5	104
TV sets (mils)	7.9	103
Automobiles (mil.)	1.1	99.7

LIVESTOCK

(in millions)

	Jan-Oct 1986	Jan-Oct 86 as % of 85
Cattle	95.9	101%
Hogs	62.2	104
Sheep & Goats	118.3	102
Chickens	766.1	100

ECONOMIC PRODUCTION FOR THE FIRST TEN MONTHS OF 1986

Production continues to increase. Individual industries, as has been the case earlier this year, continue to show relatively good increases in production. In particular, oil production for the first 10 months of the year is up 3% and October 1986 compared to October 1985

shows an increase of 4%. This means that the 52.8 million ton production for October 1986 is the highest October level production that the Soviets have recorded. In the months preceding October, production increased over output reported last year, but no records were set. Now production is higher than it had been not only in October 1983, but October 1982. The Soviets now officially confirm that oil output has exceeded the plan target for the second month in a row.

While that is good news, gas output for October 1986 was up only 5.7% over what it had been in October 1985. For the whole 10 month period, output shows a 7% increase, but given the fact that last year at this time, output was up 10% for the whole ten month period, compared to 1984, the fact that gas production is up only 6% suggests that output has not been increasing as rapidly as it had been earlier. Six percent is still a very high increase in output, but the rate of increase does seem to be falling and this must be of some concern to the Soviets.

Electricity production continues to grow at 4%, although on a month-by-month basis it was up only 3%.

Some of the other industries look particularly impressive, certainly compared against the backdrop of last year. For example, steel production is up 5% for the whole 10 month period compared to a drop in production recorded in October 1985 over October 1984. Similarly meat production is up 7% compared to a 2% increase for the comparable period last year over 1984.

In some the discipline effort does seem to be paying off and Gorbachev should be feeling pleased with his efforts.

ARDEN HOUSE 1987

Arden House will be held March 20-22, 1987. Most of the program is in place, and announcements will be sent out shortly. We had hoped that we would have had them ready by this date, but given the confusion in Washington, it has been a little more difficult to arrange administrative and congressional participation than in the past. We expect to hear shortly from several congressmen and senators and once we have this final facet of the program in place, notices will be sent out with the formal program. Please mark your calendars now. The cost will be the same as last year. $1000 for a single room and $900 for a double.

CURRENCY FIGURES

Rubles Purchased Per 100	Oct 1986	Nov 1986
Austrian shilling	4.83	4.79
UK pound	96.06	96.93
FRG mark	33.97	33.75
US dollar	67.27	68.41
French franc	10.39	10.31
Japanese yen	.436	.416
Italian lira	.0491	0488
Swiss franc	41.49	40.29

INTERNATIONAL CULTURAL EXCHANGE

On December 22-28, Harvard University will be the scene of an interesting experiment. Under the auspices of the International Culture Exchange (ICE), Harvard will serve as host to a series of hockey teams, including the Spartak Team of Moscow. The People's Republic of China is also expected to send a hockey team. The idea of the week-long event is to have not only a sports contest, but an opportunity for the different team members to meet one another in a more informal environment. Using the sports events as a magnet, the hope is to also attract government, business and educational representatives to the area to engage in similar discussions.

The meeting this December will be the first of what is hoped will be a series of events at this time of the year.

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Volume XI, No. 3 January 15, 1987

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INDUSTRIAL PRODUCTION FIGURES

Product	Prod. in 1st 11 mo of 1986	1st 11 Mo. 86 as % of same of 85
Electricity (b.kw.hrs)	1443	104%
Petroleum (inc. gas cond.)(mil. metric tons)	562	103
Nat. Gas (b.cu.mtr)	624	107
Coal (mil. metric tons)	685	103
Steel (mil. met. tons)	147	104
Fertilizer (mil.tons)	31.7	105
Metal-cutting tools (bil. rubles)	2.6	109
Robots (in 1000s)	13.4	116
Computer Technology (bil. rubles)	4.3	113
Tractors (mil. hp)	49.8	103
Paper (mil. metric tons)	5.6	108
Cement (mil. metric tons)	124	104
Meat(mil. metric tons)	9.7	107%
Margarine (mil. tons)	1.3	103
Watches (mils)	63.8	104
Radios (mils)	8.2	103
TV sets (mils)	8.6	101
Automobiles (mil.)	1.2	99.7

LIVESTOCK

(in millions)

	12/1/85	12/1/86	% Change
Cattle	94.2	95.5	101.3
Cows	29.2	28.9	98.97
Hogs	59.1	61.2	103.6
Sheep & Goats	113.5	114.7	101.1
Chickens	752.6	756.2	100.5

INDUSTRIAL PRODUCTION FOR THE FIRST ELEVEN MONTHS OF 1986

For the first time in 1986, the increase in electricity generation seems to have faltered somewhat. Production for November 1986, compared to 1985, rose only 2.2%. For the entire eleven months, it rose 3.5%, which is shown in the accompanying table as 4%. The Soviets announced that in December some new generating facilities were commissioned, so presumably production for December 1986 over December 1985 will increase somewhat more. In any case, the increase of slightly more than 2% on a month by month basis is probably the reason why the Soviets have been complaining about shortages of electricity and why they have been devoting so much attention to the need to conserve electricity generation.

As for the other fuels, the increase in gas production continues to diminish. It rose 6.5% on a month by month basis, which is approximately the same for the entire eleven month period. Coal production rose at 3% and oil production continues to recover - it rose by 4.3% for the month and 3% for the whole eleven month period.

While the majority of Soviet industries showed satisfactory increases in production, steel production rose only 1.5% for the month, below the 4% average for the eleven months, and automobile production actually dropped slightly. Food production continues to improve, particularly the production of non-alcoholic beverages.

CHANGES IN LIVESTOCK HERDS

The livestock herds have been increasing at the same rate as in previous months. The main exception is the cow herd, which is down by slightly more than 1%. Hogs have increased the most at 3.6%.

BALANCE OF TRADE FIGURES FIRST NINE MONTHS OF 1986

There was a notable drop in exports from the Soviet Union during the first nine months of 1986, at least in ruble terms. Exports from the Soviet Union to the hard currency world had not fallen below ten billion rubles since at least 1981. However, in the first nine months of 1986, they totaled approximately 8 billion five hundred million rubles, a drop from the preceding year of almost 3 billion rubles. That was due in large part to curtailment of petroleum exports. Since we don't have the detailed information as yet, that probably reflects a drop not only in tons exported, but also the drop in prices. The decline is almost unprecedented in magnitude.

At the same time, there was also a significant drop in Soviet imports. Imports from Western Europe and Japan dropped by over one billion rubles, less than the drop in exports, but nonetheless a significant drop. As a result, the Soviet Union's foreign trade balance with Western Europe was negative by about two hundred and fifty million rubles compared to a trade surplus the preceding year of 1.5 billion rubles for the first nine months.

The drop in imports in some cases is striking. Note for example that imports from the United States and Argentina dropped by almost a billion rubles. This clearly reflects a better harvest and smaller grain imports. Similarly, the drop in exports in some cases was quite large. The Soviets reduced their exports to West Germany by almost a billion rubles as well.

We will have to wait until we get the results for the whole year, but it looks like much of the activity was due to the drop in oil prices and an improvement in the grain harvest.

What is notable, however, is that while Soviet exports to Western Europe dropped sharply, they rose sharply to Eastern Europe. The difference is not quite the same, but Soviet exports, as we will see in next month's newsletter, rose a billion and a half rubles to the six East European countries within CMEA.

CURRENCY FIGURES

Rubles Purchased Per 100	Nov 1986	Jan 7 1987
Austrian shilling	4.79	4.91
UK pound	96.93	98.59
FRG mark	33.75	34.60
US dollar	68.41	66.39
French franc	10.31	10.43
Japanese yen	.416	.418
Italian lira	.0488	.0496
Swiss franc	40.29	41.12

ARDEN HOUSE 1987

Arden House will be held March 20-22, 1987. Most of the program is in place, and announcements will be sent out shortly. We had hoped that we would have had them ready by this date, but given the confusion in Washington, it has been a little more difficult to arrange administrative and congressional participation than in the past. We expect to hear shortly from several congressmen and senators and once we have this final facet of the program in place, notices will be sent out with the formal program. Please mark your calendars now. The cost will be the same as last year. $1000 for a single room and $900 for a double.

We have received a number of requests for Arden House applications. In order to avoid confusion, we are enclosing an application form with this newsletter. The program and an additional application form will be mailed out shortly.

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BALANCE OF TRADE - 1st NINE MONTHS OF 1981 - 1986
(Million Rubles)

	EXPORTS FROM THE USSR						IMPORTS TO THE USSR					
	1981	1982	1983	1984	1985	1986	1981	1982	1983	1984	1985	1986
Austria	632	493	413	563	603	415	362	387	622	656	615	638
Belgium	350	774	741	902	658	444	342	421	449	380	425	337
Great Brit.	515	622	802	974	833	943	785	531	495	587	563	407
Greece	448	441	343	416	408	156	82	100	128	87	104	46
Denmark	168	268	221	275	213	105	194	53	54	73	76	113
Spain	216	106	229	224	148	81	347	127	182	227	291	130
Italy	1716	2209	2152	2388	1799	1110	757	874	1119	983	970	1119
Neth.	662	1175	1393	1243	770	425	385	282	410	188	227	181
Norway	44	59	59	78	91	41	73	56	75	60	51	55
Germany	2501	2982	2498	3478	3026	2197	2099	2201	2685	2558	2400	2268
France	1749	1664	1768	1695	1554	1116	1289	958	1353	1246	1291	860
Switz.	183	326	394	290	244	235	390	311	274	293	384	360
Sweden	182	289	491	441	392	213	281	283	191	184	240	190
Japan	589	556	579	633	695	721	1593	2129	1707	1534	1849	1755
Subtotal	10,000	11,964	12,083	13,600	11,026	8,202	8,979	8,713	9,744	9,056	9,486	8,459
Sub-Bal. of Trade							+1,021	+3,251	+2,339	+4,544	+1,540	-257
Argentina	28	25	19	20	44	51	2,069	1,133	1,153	983	1,114	172
U.S.A.	105	112	171	210	228	216	1,058	1,811	1,037	1,734	1,927	997
Canada	41	17	22	15	13	9	892	945	990	971	466	383
Australia	10	12	5	12	12	7	461	438	321	365	446	446
New Zealand	5	5	1	6	3	3	146	178	145	38	61	3
Brazil	9	122	85	93	48	25	523	356	429	396	300	200
Total	10,198	12,257	12,386	13,956	11,374	8,513	14,128	13,574	13,819	13,543	13,800	10,660
Balance of Trade							-3,930	-1,317	-1,433	+413	-2,426	-2,147

Los Angeles Times Sunday, December 21, 1986/Part V 5

Sakharov: Now a Symbol of Change

Gorbachev Runs Risks in Nudging Soviets Toward 'Reform'

By MARSHALL I. GOLDMAN

The return of Andrei Sakharov and his wife Yelena Bonner to Moscow and the end of their exile in Gorky is good news—not only for the Sakharovs but also for what it may portend about an improvement in Soviet human-rights policies.

We should not overdo it. The Soviet Union is not on the verge of becoming another Canada or Sweden. But at the same time we should give credit where it is due. Let us applaud the Soviet Union and its leader, Mikhail S. Gorbachev, for doing the right thing—for personally calling Sakharov and allowing him to return to his research—and hope that this is the first in what may well become a series of more humane actions.

While it is certainly too soon to proclaim the dawn of a new, more humane, Soviet Union, there is no doubt that something profound is happening inside the country. Gorbachev has even gone so far to call for "democratization." What he means by that is not exactly clear, but it seems linked to his concern about the need for a radical transformation of the country's economy. He seems to recognize that you cannot stimulate innovation, foster high technology and provide for a better standard of living without lifting some of the political and social restraints that have constrained the Soviet people for so long. Gorbachev has come to realize that it is not only his countrymen's political behavior that is affected but their creativity as well.

This explains in large part why he has come to call for *glasnost*, or more openness, why he has called upon Soviet writers to mobilize the country's energies, why he authorized an attack in Pravda on the late Leonid I. Brezhnev for his ineptness and economic incompetence, and why he has even hinted at the need for a mild form of pluralism.

Gorbachev's call for a conference on human rights in Moscow in 1987, the prospect of a "law on the procedure for protesting to the courts for relief from illegal actions by officials in violation of citizens' rights" and the passage of a new immigration law effective Jan. 1 all fit in with this pattern. So do his calls for a less defensive response to those who pressure for human rights and for a resumption of the dialogue with leaders of the American Jewish community.

Undoubtedly some of this is being done more for international appearances than for actual improvement. Gorbachev has begun to invite foreign businessmen to start joint ventures inside the country. This is much easier to do when the Soviet Union is seen to be liberalizing, rather than intensifying, its controls.

However, while some of the more publicized dissidents and refuseniks such as Anatoly Shcharansky have been released, the total number of refuseniks allowed out of the country in 1986 will probably be under 1,000, which is a throwback to the 1960s.

In addition, the new immigration law is seen by some as a much tighter measure since it limits those who can leave the country to blood relatives seeking family reunification, not cousins and other more-distant relatives.

Yet lest we become too cynical about Gorbachev's motives, it is necessary to realize that his human-rights initiatives and what appears to be liberalization are not without cost. First of all, he has stirred up the conservatives. Gorbachev himself acknowledges that he faces fierce opposition. For example, in a June 19 speech to the Soviet Writers Congress, Gorbachev is reported to have warned that the opponents of change broke Nikita Khrushchev's neck and are trying to do the same to him if necessary, going so far as to resort to terror.

The conservatives fear all change; they especially fear liberalization. Undoubtedly some of them will characterize last week's riots in Alma Ata, the capital of Kazakhstan, as the inevitable consequence of a more relaxed policy.

In a society that has insisted on strict political controls for 70 years, any relaxation is like opening Pandora's Box. As Deng Xiaoping continues to find in China, the calls for democratic reform sometimes have a way of generating their own momentum and going beyond what even the liberals in the party may think wise.

That is Gorbachev's dilemma. He must have liberalization if he is to carry out his reforms. This will bring him support within and out of the Soviet Union. At the same time, Gorbachev runs the risk that he may unduly arouse expectations that he cannot satisfy.

If those who are disappointed link up with those who feel he has gone too far, Gorbachev may find—just as Khrushchev did in 1964—that the role of the reformer in the Soviet Union is risky.

Marshall I. Goldman is a professor of economics at Wellesley College, the associate director of the Russian Research Center at Harvard University and the author of the forthcoming "Gorbachev's Challenge: Economic Reform in the Age of High Technology."

HARVARD-COLUMBIA
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Cambridge, Mass. 02138
(617) 495-4037

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THE NEW USSR?

March 20-22, 1987

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Please sign me up for: (Circle one)

Fee for the bus will be $25.00

(1) Bus departing the Eastern Airlines Shuttle Baggage claim area at LaGuardia at 3:20 p.m., Friday, March 20.

(2) Bus departing from Bryant Park, 42nd Street, Ave. of the Americas (Bus will be on the East side, between 41st and 42nd, facing North) at 3:30 p.m.

(3) I will have my own transportation.

HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Volume XI, No. 4 February 11, 198

2/26/87 U2030-1

INDUSTRIAL PRODUCTION FIGURES

Product	Production in 1986	Production in 1986 as % of 1985
Electricity (b.kw.hrs)	1599	104%
Petroleum (inc. gas cond.)(mil. metric tons)	615	103
Nat. Gas (b.cu.mtr)	686	107
Coal (mil. metric tons)	751	103
Steel (mil. met. tons)	161	104
Fertilizer (mil.tons)	34.7	105
Metal-cutting tools (bil. rubles)	2.9	109
Robots (in 1000s)	15.1	114
Computer Technology (bil. rubles)	4.8	113
Tractors (mil. hp)	54.5	103
Paper (mil. metric tons)	6.2	103
Cement (mil. metric tons)	135	103
Meat(mil. metric tons)	11.5	107%
Margarine (mil. tons)	1.5	103
Watches (mils)	69.9	104
Radios (mils)	8.9	101
TV sets (mils)	9.4	100.7
Automobiles (mil.)	1.3	99.5

LIVESTOCK

(in millions)

	1/1/85	1/1/86	1/1/87	% Change
Cattle	121.0	120.9	121.9	100.8%
Cows	43.6	42.9	42.5	99.07
Hogs	77.9	77.8	80.0	102.8
Sheep & Goats	149.2	147.3	148.0	100.5

YEAR-END REPORT FOR SOVIET INDUSTRIAL AND AGRICULTURAL PRODUCTION FOR 1986

On the whole 1986 was a good year for the Soviet economy. A good year at least in comparison to 1985. The Soviets report that industrial output is up 4.9% compared to a plan of 4.3%. These aggregate figures are always suspect, but looking at output for individual industries also confirms that production has improved. Thus, as readers of this newsletter have been aware, petroleum production in 1986 was up 3% compared to a drop of 3% for 1985. Coal production is up 3% compared to 2% 1985. Steel production is up 4% whereas in 1985 production was basically the same as it was in 1984. Although there have been regional shortages, electrical production is up 4%, which is the same amount as the preceeding year.

One of the best bits of news Soviet consumers have is that the grain harvest is up to 210 million tons for 1986. This 20 million ton increase represents a 10% increase in production. While some of us may question the accuracy of that figure, it certainly is an improvement over preceeding years. In contrast however, raw cotton production diminished as did the output of sugarbeets.

On the negative side, natural gas output rose 7% percent for 1986 which by most standards would be a very satisfactory figure. However, in 1985 production rose 9% over 1984 so this does represent some drop.

There are some other interesting bits of information which come out of the production figures. For example, the volume of foreign trade in ruble terms dropped 8% compared to 1985. However, the absolute volume of trade in real terms rose 2%. That is a reflection of the drop in raw material and petroleum prices.

Other bits of information include the fact that the Russians have announced that they have begun production of personal computers although they are intended almost exclusively for industry. Another bit of information is the fact that the Soviets have announced that one million people were released from their jobs. Presumably they were transfered to other positions but this does indicate one more step in the reform process. However, in discussing the reforms, the statements from Soviet officials indicate that there is a good deal of dissatisfaction with how far the reforms have moved. To quote the official report, "the new management methods are still not being assimilated intensively enough and are not having the proper influence on the attainment of qualitatively new improvements in the development of the country's economy."

LIVESTOCK HERDS

The annual report of the number of livestock held by Soviet farmers shows a considerable improvement over last year. Whereas on January 1, 1986 all herds were lower than in January 1985, this year all herds, with the exception of cows, are higher than a year earlier, and the total number of cattle, sheep and goats is also higher than it was in January 1985.

IMPACT OF THE GORBACHEV CRACKDOWN ON DRINKING

According to the annual economic report for 1986, sales of non-alcoholic drinks rose 27% for the year, mineral water rose 22%, and fruit and vegetable juices up 43%. More importantly, the sale of alcoholic beverages, at least legal ones, was only 63% of what it had been in 1985.

CURRENCY FIGURES

Rubles Purchased Per 100	Jan 7 1987	Jan 21 1987
Austrian shilling	4.91	5.05
UK pound	98.59	98.69
FRG mark	34.60	35.55
US dollar	66.39	68.42
French franc	10.43	10.61
Japanese yen	.418	.427
Italian lira	.0496	.0499
Swiss franc	41.12	42.45

SOVIET BALANCE OF TRADE WITH EASTERN EUROPE FOR THE FIRST NINE MONTHS OF 1986

The Soviet balance of trade with Eastern Europe increased by over a billion rubles during the first nine months of 1986. The largest increase was of exports to Romania. Presumably the increase to Romania, as well as to the other East European countries, reflects an increase in the export of petroleum. It is entirely conceivable that the increase in exports reflects a diversion of petroleum from Western Europe to Eastern Europe.

ARDEN HOUSE PROGRAM

We now have the Arden House program completed. A copy of the program and an application form are enclosed. While we still expect to hear from several more U.S. government officials, we are quite pleased with the program as it exists now. In particular we are delighted that Senator Warner and Congressmen Aspin, Torricelli and Berman will be joining us. Other highlights will be the opening presentation by Fritz Ermarth, Special Assistant to the President and Senior Director, European and Soviet Affairs, National Security Council, and a session on joint ventures with individuals involved in the negotiating process.

Given the fact that Gorbachev's proposals have been so far-reaching and his potential impact on the society so monumental, this is a particularly important time to discuss his objectives.

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THE RUSSIAN RESEARCH CENTER takes no official stand on any economic or political trend. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article, or unless otherwise stated, with those of the editors, Marshall I. Goldman and Catherine Reed. RRC © 1986

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The Boston Globe

SUNDAY, FEBRUARY 1, 1987 A25

THE SOVIET UNION

Gorbachev charts a risky course

Khrushchev tried to reform the system, and look what happened to him

By Marshall I. Goldman
Special to the Globe

What is happening to the Soviet Union, the country we have come to despise and criticize? One day Mikhail Gorbachev personally calls the exiled Andrei Sakharov to say all is forgiven, come back to Moscow and work for the national good. (Since Sakharov had previously been denied a phone in his apartment, authorities in Gorky had to install one specifically for Gorbachev's call.) Next, the dancers Mikhail Baryshnikov, Natalia Makarovea and Valery Panov and the cellist-conductor Mstislov Rostropovich receive invitations to come back for guest performances on the Soviet stage. To top it off, last Tuesday, Gorbachev issues a call for secret elections and an end to yes and no ballots. If his proposal is implemented, henceforth there will be more than one candidate on ballots for republic and regional parties, as well as government positions. (But lest this go too far, apparently elections for Gorbachev's own position as general secretary of the Communist Party will still be handled in the old way.)

It almost seems as if Gorbachev is reinventing the Federalist Papers. He is doing all he can to create some rudimentary form of checks and balances. Of course, as bold as his proposals have been, Gorbachev is still a long way from the kind of pluralistic system we have evolved in the West. The nominees for

SOVIET, Page A28

Marshall I. Goldman is professor of economics at Wellesley College and author of the forthcoming "Gorbachev's Challenge: Economic Reform in the Age of High Technology."

Soviet

Continued from Page A25

election in the Soviet Union, even though there will soon be more than one, will probably still be pre-selected by superior party officials, and the voting, certainly in the party, will be open only to party members – that is, 10 percent of the adult population.

Why is Gorbachev doing all this? Some insist it is only to impress the West. Undoubtedly, Gorbachev did not ignore the fact that such moves would make a good impression. If he can push through his reforms, that will certainly improve his image here. Yet, he is also taking a risk if he should fail. This would simply be another instance where Soviet spokesmen have shouted "Sheep! Sheep!" but it turns out in fact to be the same old wolf.

Certainly, Gorbachev has an international agenda. We have seen that in the way he has sought to improve Soviet relations with China, Japan and Western Europe. He has also done more than most of his predecessors to indicate his eagerness to reach some form of accommodation with the United States on arms control. But for Gorbachev, economic reform is at the top of the agenda. He is determined to bring the Soviet economy into the 21st century, but he has discovered to his dismay that before he can do that, he must bring it into the 20th century – or at least the latter part of the 20th century. To do that, he needs not only economic reform, but also cultural and political reforms.

No one except the 20 or 30 men and one woman who sit in on the Politburo and Secretariat meetings knows exactly what goes on there. But it certainly seems that Gorbachev has been engaged in an internal stocktaking, asking himself what Soviet practices do and do not make sense. And given his recent actions, it certainly seems that he has concluded that a lot does not make sense.

Take Soviet policies toward the intellectuals. Gorbachev may well have concluded that the CIA had somehow managed to install a mole in charge of Kremlin policies toward intellectuals. How else can one explain a course that seems to have been deliberately designed to decapitate some of the best minds the Soviet Union has? What sense does it make in a world where innovative and creative ideas will determine future technological leadership to send those with those ideas to Siberia and Gorky, or even Vermont, Boston or New York? More often than not, it is the United States that becomes the beneficiary, since some of those scientists and engineers end up at Harvard, MIT, IBM or Digital Equipment. The realization that the Soviet Union is the loser explains, as much as anything can, the decision to invite the return of some of the country's prodigal sons.

Gorbachev seems to have made a similar calculation when he decided to call for more meaningful elections and secret ballots. To his quite obvious dismay, Gorbachev and the others in the Politburo have been shocked to see what happens when leaders are left in their jobs for excessive periods of time. The phenomenon is not unknown in our country. What usually happens is that those in charge begin to develop proprietary feelings about the domain under their jurisdiction. With time, even the judiciary and police, including the KBG, are compromised. When this happens, virtually all checks and balances are destroyed. There's seldom any court of appeal. The local officials turn into barons, and their fiefdoms turn into thiefdoms.

As a current look at the Soviet press indicates, this is exactly what happened in the Republic of Moldavia, the Ukraine and most of Central Asia, particularly Uzbekistan and Kazakhstan. In almost every case, the communist leaders in those areas were found to have devoted the bulk of their efforts to enriching their own families. There was over-reporting of production and rampant corruption and embezzlement. Privileges were issued to the favored, the chosen few, and there was virtually no recourse for those out of favor. In the meantime, the economy has suffered as resources have been improperly diverted and incentives thwarted.

The Soviet government knows this to be true, but who knows how much remains to be uncovered?

Whatever may come to his attention, Gorbachev has moved to clean up these clusters of corruption around the country. But that is hardly a long-term solution. Unless he can change the nature of the system, a new generation of barons will quickly form in the place of the old. That is why Gorbachev has moved to change the system and institute multi-candidate secret elections. If the new policies are implemented, the local leaders will have to live with the knowledge that if they are too abusive, they may be voted out of office.

Will the new system work? Assuming it is implemented, it will probably have some success. Yet, as even we here in Massachusetts or Chicago or Louisiana can testify, the secret ballot does not guarantee meaningful contests between candidates. More than that, Gorbachev has undoubtedly added another grievance to the list compiled by those unhappy with his radicalism. These Soviet hard-liners view Gorbachev's reforms much as very conservative Catholics view those of Vatican II: they worry that he is destroying the essence of the communist system. Gorbachev's call for elections for party offices elicits from Soviet bureaucrats a reaction similar to what American university professors might experience over a proposal to abolish the tenure system: How dare he intrude on my secure lifestyle? they ask. This proposal must be far more upsetting to bureaucrats than Gorbachev's allowing the return of the Sakharovs and Baryshnikovs who, after all, only a few weeks ago were reviled as traitors and turncoats.

Although some American observers argue that Gorbachev has nothing to worry about, there is good reason to suspect that he may already have compromised his future. He may yet go the way of Nikita Khrushchev. One of Khrushchev's biggest mistakes was to shake up the party and, among other things, call for limits on the term of office of party officials. Gorbachev's election proposals go at least as far, if not further, in unsettling the party officals.

It took several years for the opponents of Khrushchev to surface and organize against him. Gorbachev runs the same risk. He has decided to go for broke and push as much through as he can in as short as possible a period – including the possibility of a general amnesty. We can wish him well, but wonder if the system will overwhelm him before he overwhelms it.

SOVIET BALANCE OF TRADE WITH EASTERN EUROPE FOR THE 1ST NINE MONTHS OF 1981-1986

(in million rubles)

	Exports from U.S.S.R.						Imports to U.S.S.R.					
	1981	1982	1983	1984	1985	1986	1981	1982	1983	1984	1985	1986
Bulgaria	3225	3546	4141	4661	4788	4842	2751	3245	3720	4122	4425	4442
Czecho-slovakia	3108	3728	4270	4948	5002	5116	3060	3513	4018	4422	4806	4778
GDR	4037	4587	4992	5385	5619	5852	3861	4270	4879	5576	5619	5228
Hungary	2445	2711	2951	3298	3318	3486	2413	2710	2957	3178	3513	3600
Poland	3667	3581	3868	4450	4804	5091	2419	2882	3485	3843	3960	4316
Romania	1111	1013	1199	1352	1351	2062	1237	1323	1280	1340	1657	1859
	17,593	19,166	21,421	24,094	24,882	26,449	15,741	17,933	20,339	22,481	23,980	24,223
Balance of Trade	+1852	+1283	+1082	+1613	+902	+2,226						

3/12/87 U2030-1

HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Volume XI, No. 4 March 5, 1987

INDUSTRIAL PRODUCTION FIGURES

Product	Production in Jan 87	% of plan fulfillment
Electricity (b.kw.hrs)	160	101%
Petroleum (inc. gas cond.)(mil. metric tons)	52.6	100.4
Nat. Gas (b.cu.mtr)	62.9	102
Coal (mil. metric tons)	67.0	102
Steel (mil. met. tons)	na	na
Fertilizer (mil.tons)	3.1	100.8
Metal-cutting tools (mil. rubles)	199	85
Robots (units)	960	114
Computer Technology (mil. rubles)	321	91
Tractors (mil. hp)	4.2	95
Paper (1000 metric tons)	516	97
Cement (mil. metric tons)	11.4	100.1
Meat (mil. metric tons)	1.1	107
Radios (1000s)	550	82
TV sets (mils)	540	72
Automobiles (1000s)	104	93

LIVESTOCK

(in millions)

	Feb 1 86	Feb 1 87	% Change
Cattle	94.1	95.6	101.6%
Cows	29.1	28.9	99.3
Hogs	58.9	60.7	103.1
Sheep & Goats	115.7	117.4	101.5
Chickens	740.2	745.6	100.7

COLD WEATHER HAMPERS INDUSTRIAL PRODUCTION

As the production figures for January indicate, the cold weather severly hampered industrial production. Oddly enough, oil production was not affected that much, nor was coal mining, both of which are basically outdoor activities. Production in these two sectors did not drop and in fact, in the case of coal production, there was an increase of 2%. Natural gas production rose only 2% which, given the 7-8% rate that it has been growing at the last few years, does represent a drop. Even electricity generation increased 1%.

However, discussion of the production figures indicate that the output

was not uniform and in some areas of the country there were serious shortages.

Conditions in other industries were not nearly as favorable. Steel production fell 2% and the amount of total steel output was not even reported. Machine tool production of metal cutting machines was down 15% and even computer output was down 9%. Automobile production was down 7% while television production dropped 28%.

Much of the difficulty was due not only to the cold weather within the factory, but to the disruption railroad communications and other transportation. Without delivery of components, factories could not meet their quotas.

One of the few good signs was that meat production was up 7%. Gorbachev presumably would also have been happy with the fact that the manufacture of vodka, liquors, and grape wine fell by 42%. That was presumably due to something more than the cold weather, even though as always in the Soviet Union, the demand for such antifreeze usually increases in the winter.

LIVESTOCK HERDS

Despite the very cold weather, the livestock herds, except for cows, increased in some cases impressively. For example, the number of hogs on February 1, 1987 show an increase of over 3% a year earlier. Only the number of cows fell by .7%.

ARDEN HOUSE CONFERENCE

Former Ambassador to the Soviet Union, Arthur A. Hartman, has agreed to join us at our annual Arden House Conference. He will appear on Saturday in one of our panels.

Because of the interest in the reforms that Gorbachev is trying to bring to the Soviet Union, the registration for the conference is the highest that its ever been. We expect to see many familiar faces, as well as an unusually large contingent of attendees from Western Europe. At this rate, we anticipate that we will have to create a waiting list. Those who intend to send in their registrations and have not already done so should send them in immediately.

LAST CORPORATE SPONSOR SEMINAR OF THE YEAR

CMEA 1986 - 2000: SOVIET-EAST EUROPEAN RELATIONS UNDER GORBACHEV

For the final Corporate Sponsor Seminar of the year, the Russian Research Center will look at the evolving relationship between the Soviet Union and Eastern Europe. We will convene on Monday, April 27 and take a country by country look at the economic reforms that are being contemplated or are already in place and how they relate to the reforms underway in the Soviet Union. We will also examine to what extent, if at all, the plans of the different countries have been coordinated.

This program has been organized by Sarah M. Terry of Tufts University and the Russian Research Center. She has managed to bring together an impressive collection of East European specialists. The full program and application form are included in this newsletter.

CONFERENCE ON US-SOVIET TRADE

Sunday, April 26, 1987
9:30 a.m. - 4:00 p.m.

The conference, sponsored jointly by the International Business Club of the Harvard Business School and the Russian Research Center, will be composed of a series of panel discussions addressing such topics as the current state of trade and economic relations, recent changes in Soviet foreign trade policy (the new joint venture legislation), and how to do business with the Soviets.

Programs and applications will be available in the near future. For further information, contact Mr. Eric Fay, Russian Research Center, 1737 Cambridge Street, Cambridge, MA 02138. Phone (617) 495-4037 (leave message).

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THE RUSSIAN RESEARCH CENTER takes no official stand on any economic or political trend. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article, or unless otherwise stated, with those of the editors, Marshall I. Goldman and Catherine Reed. RRC @ 1986

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Because of postage costs we have not included a copy of the Arden House program in this issue of the Newsletter. Please call Cathy Reed for a program.

HARVARD-COLUMBIA
ARDEN HOUSE CONFERENCE
ON
AMERICAN-SOVIET RELATIONS

Russian Research Center
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420 West 118th Street
New York, N.Y. 10027
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THE NEW USSR?

March 20-22, 1987

Please enroll me in the 1987 Arden House Conference:

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Registration Fee: Single Room $1000 Double Room $900
Make checks payable to HARVARD UNIVERSITY

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Telephone inquiries: (617)495-4038

Transportation from New York City to Arden House

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Fee for the bus will be $25.00

(1) Bus departing the Eastern Airlines Shuttle Baggage claim area at LaGuardia at 3:20 p.m., Friday, March 20.
(2) Bus departing from Bryant Park, 42nd Street, Ave. of the Americas (Bus will be on the East side, between 41st and 42nd, facing North) at 3:30 p.m.
(3) I will have my own transportation.

RUSSIAN RESEARCH CENTER
HARVARD UNIVERSITY

WILLIAM AND MARY GREVE
FOUNDATION

CMEA - 1986 to 2000:
THE SOVIET UNION AND EAST EUROPEAN RELATIONS UNDER GORBACHEV

April 27, 1987

Harvard Faculty Club
20 Quincy Street
Cambridge, MA 02138

9:45 a.m. INTRODUCTION

Marshall I. Goldman, Wellesley College and Associate Director, Russian Research Center; and Sarah M. Terry, Tufts University and Fellow, Russian Research Center

9:55 a.m. COUNTRY PAPERS

Bulgaria:

Professor Robert McIntyre, Bates College

Czechoslovakia:

Professor Joseph C. Brada, Arizona State University

German Democratic Republic:

Professor Angela Stent, Georgetown University and Fellow, Russian Research Center, Harvard University

11:00 a.m. Discussion

11:20 a.m. Hungary:

Professor Paul Marer, Indiana University

Poland:

Professor Zbigniew M. Fallenbuchl, University of Windsor

Romania:

Professor Ron Linden, University of Pittsburgh

12:45 p.m. SHERRY

1:00 p.m. LUNCH

2:00 p.m. REGIONAL ISSUES

"The Role of CMEA in Gorbachev's Economic Stretegy," Dr. Philip Hanson, University of Birmingham and Mellon Fellow, Russian Research Center, Harvard University

"Intra-CMEA Energy Cooperation," Carl McMillan, Carleton University

"The Implications for Economic Reforms in Eastern Europe," Dr. John P. Hardt, Associate Director, Congressional Research Service, Library of Congress

3:00 p.m. Discussion

3:20 p.m. "CMEA Cooperation in Computer-Related Technologies," Professor Seymour Goodman, University of Arizona

"Reevaluation of Technology Policy in the Soviet Bloc: Back to an Independent Effort? Professor Kazimierz Poznanski, Northwestern University and Rennselear Polytechnic Institute

"The Implications for CMEA's Technological Competitiveness on World Markets," Dr. Wojciech Bienkowski, Main School of Planning and Statistics (Warsaw)

4:45 p.m. ADJOURN

RUSSIAN RESEARCH CENTER
HARVARD UNIVERSITY

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FOUNDATION

CMEA - 1986 to 2000:
THE SOVIET UNION AND EAST EUROPEAN RELATIONS UNDER GORBACHEV

April 27, 1987

Harvard Faculty Club
20 Quincy Street
Cambridge, MA 02138

Please enroll me as a participant:

Name _____
Last First Middle

Title/Position _____

Affiliation/Organization _____

Mailing Address _____
Street Apt. #

_____
City State Zip code

Home Phone ( ) _____ Business Phone ( ) _____

ADMISSION: $150.00 (one hundred fifty dollars) per participant.
PLEASE MAKE CHECKS PAYABLE TO HARVARD UNIVERSITY.
Fee covers all meals and beverages
Harvard affiliates may attend the conference (without lunch) for free, but must register in advance.
Unaffiliated students may attend for $40.00

HOTEL RESERVATIONS: ( ) Single room ( ) Double room
Date(s) needed: _____
Confirmation of your room reservation will be sent with your seminar reservation and receipt.

Please return completed form and check to:

Catherine Reed, Program Coordinator, Russian Research Center, Harvard University, 1737 Cambridge Street, Cambridge MA 02138
(617) 495-4037

12:45 p.m. SHERRY

1:00 p.m. LUNCH

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4:45 p.m. ADJOURN

4/6/87 U 2030-1

HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Volume XI, No. 5 April 2, 1987

INDUSTRIAL PRODUCTION FIGURES

Product	Prod J-F 87	% Feb plan f	% J-F plan f
Electricity (b.kw.hrs)	301	100.3%	100.7%
Petroleum (inc. gas cond.)(mil. metric tons)	100	100.6	100.5
Nat. Gas (b.cu.mtr)	120	102	102
Coal (mil. metric tons)	129	102	102
Steel (mil. met. tons)	26.0	101	99.4
Fertilizer (mil.tons)	5.9	103	102
Metal-cutting tools (mil. rubles)	421	92	89
Robots (1000 units)	2.0	103	111
Computer Technology (mil. rubles)	697	93	91
Tractors (mil. hp)	8.5	95	95
Paper (1000 metric tons)	1000	99.4	98
Cement (mil. metric tons)	21.9	100.5	100.3
Meat (mil. metric tons)	2.0	108%	108%
Margarine (mil. tons)	na	na	na
Watches (mils)	na	na	na
Radios (1000s)	1.2	92	87
TV sets (mils)	1.2	82	77
Automobiles (1000s)	216	107	99.8

*plan f = plan fulfillment

LIVESTOCK

(in millions)

	Mar 1 86	Mar 1 87	% Change
Cattle	94.7	96.1	101.5%
Cows	29	28.9	99.7
Hogs	59.1	60.3	102.0
Sheep & Goats	121.4	123.4	101.6
Chickens	752.6	751.6	99.9

NEW PROBLEMS ON THE SOVIET PRODUCTION FRONT

The February production figures indicate that some industries did recover reasonably well from the cold of January. For example, coal production was up 2% and steel production was up 1% Oil production also was higher, but only by about .6% over what it had been in February 1986. Reflective of the continuing difficulty, however, was the fact that natural gas production was up only 2% for both February and the January-February period as a whole. Electrical energy generation was up only .3%. This is a significant drop from results in earlier years and clearly reflects the weather problems.

Some of the other industries, particulary those producing goods intended for the consumer, seemed to have developed some new problems unrelated to the cold. In other words, since production of items like washing machines, radios, television sets, tractors and automobiles, are produced indoors, the cold weather should not be as much of a problem, although admittedly transportation difficulties could effect the receipt of supplies. What seems to have happened, however, is that as the relatively sharp fall in production of some of the products, i.e. television production down 18% in February from an earlier year, and tractor production down 5% is a result of the institution of new quality controls that were imposed on January 1 of this year. There are more and more reports in the Soviet press of the fact that goods which were once accepted as meeting production targets are now being rejected. In some cases the rejection rate is as high as 70%. This has consequence not only for plan fulfillment, but also for workers' wages.

This crackdown on quality is obviously a necessary step if Gorbachev is going to improve the goods produced in Soviet factories. However, by resorting to inspectors, he has fallen back on traditional adminstrative measures, rather than rely on the market which presumably is part of the reform process. It also means, however, that he will be hard put to show immediate benefits from the reform process. Indeed, it may very well be that production, particularly of goods requiring processing and value added, will fall. At a time when he needs to show that his reform is producing results, this not the way to do it and even when the weather improves, the likelihood is that he will continue to have difficulties.

LIVESTOCK HERDS

The change in livestock herds in March, from recent months is a very mixed picture. Compared to March 1, 1986, there is a reasonable increase in everything but cows and chickens, and the cow herd was in fact almost the same. However, a year ago, the herds were down in almost all cases, except for hogs and chickens, compared to March 1, 1985.

In comparison to February 1, 1987, the results are not that impressive. In fact, the size of the chicken population on February 1, 1987 over February 1, 1986 was up, where the March by March comparisons were down. Similarly the increase in the other stocks were not as high as they had been in the February-February comparison. Nonetheless, the fact that the herds have been this high, given all this cold weather, is a notable accomplishment and suggests that meat supplies this coming year may be improved slightly.

ARDEN HOUSE REPORT

The Arden House Conference this year was one of the most stimulating of the whole eleven years. This was provoked in large part by Gorbachev himself. He forced us to look at what he is doing internally and externally in a new light. This was one of the few times over the eleven years when we have had to turn away people for lack of space.

We have not as yet picked the topic for next year, but we do have the dates. The Annual Arden House Conference on American-Soviet Relations will meet March 25-27, 1988 and we will again meet at Arden House. You should mark your calendars now.

LAST CORPORATE SPONSOR SEMINAR

CMEA 1986 - 2000: SOVIET-EAST EUROPEAN RELATIONS UNDER GORBACHEV

For the final Corporate Sponsor Seminar of the year, the Russian Research Center will look at the evolving relationship between the Soviet Union and Eastern Europe. We will convene on Monday, April 27 and take a country by country look at the economic reforms that are being contemplated or are already in place and how they relate to the reforms underway in the Soviet Union. We will also examine to what extent, if at all, the plans of the different countries have been coordinated.

This program has been organized by Sarah M. Terry of Tufts University and the Russian Research Center. She has managed to bring together an impressive collection of East European specialists. The full program and application form are included in this newsletter.

CONFERENCE ON US-SOVIET TRADE

Sunday, April 26, 1987

The conference, sponsored jointly by the International Business Club of the Harvard Business School and the Russian Research Center, will be composed of a series of panel discussions addressing such topics as the current state of trade and economic relations, recent changes in Soviet foreign trade policy (the new joint venture legislation), and how to do business with the Soviets.

The program and application are included in this issue of the newsletter. For further information, contact Mr. Eric Fay, Russian Research Center, 1737 Cambridge Street, Cambridge, MA 02138. Phone (617) 495-4037 (leave message).

THE RUSSIAN RESEARCH CENTER takes no official stand on any economic or political trend. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article, or unless otherwise stated, with those of the editors, Marshall I. Goldman and Catherine Reed. RRC © 1986

THE SOVIET UNION

A Kremlin reformer walks a tightrope

Too much openness could be Gorbachev's undoing

By Angela Stent
Special to the Globe

Two years ago, a joke was going around Moscow about Ivan, who meets Sasha and asks, "Sasha, did you go to Brezhnev's funeral?" "No," replies Sasha, dejected. "To Andropov's?" "No." "To Chernenko's?" "No." "Well," replies Ivan, triumphantly, "I went to all three. I have a season ticket."

Today, such jokes have vanished from the streets of Moscow. With the surprise promotion two years ago this month of Mikhail Gorbachev to lead the Soviet Communist Party, the Kremlin made up its mind that there would be no more season tickets for funerals. After a three-year period of old, infirm leaders, it selected a talented, vigorous, 54-year-old politician, who committed himself to reform Soviet society and make its economy more efficient.

Gorbachev has introduced changes ranging from the economy to party organization to culture. His rhetoric has been critical and uncompromising. But, after two years at the helm, what has he accomplished? And to what extent have his colleagues accepted his new ideas?

So far, the results of his economic reforms (his top priority) remain elusive. He has fired many functionaries, reorganized ministries, introduced limited private enterprise and permitted joint ventures with Western firms. But it is too early to say whether Soviet economic performance has improved. Moreover, Western firms report confusion among the Soviet negotiators now permitted to discuss joint ventures. They simply don't know how to deal with this partial decentralization.

Internal party reforms

Gorbachev has also taken on the Communist Party itself – a potentially dangerous step for any Soviet leader. In January, in a six-hour speech to the Communist Party's Central Committee, he called for major reforms in the way the country was run.

These moves reminded some observers of the attempted liberalization efforts of Nikita Khrushchev, Soviet leader from 1955 to 1964. They also reminded the observers of another parallel – that both leaders were seeking to gain firmer control of the Communist Party apparatus. But something else is not to be forgotten either – the eventual ousting of Khrushchev by those opposed to his policies.

Gorbachev's speech at the Central Committee meeting, which had been twice postponed, made headlines in the West because it advocated changing the way the Communist Party – numbering some 18 million members – selects some of its key officials. He started out by criticizing the stagnation and repression of Soviet society under previous leaders, without actually naming Joseph Stalin or Leonid Brezhnev. In particular, he attacked the ossification of party cadres under Brezhnev, when there was virtually no turnover in key Central Committee personnel.

After painting an optimistic picture of what the Soviet Union is capable of achieving, he proposed a number of changes in political and economic organization, including the introduction of secret ballots in the election of key party officials and the possibility of several candidates competing for each position.

Western observers seized on these proposals as evidence of a major move toward democratization, but one should approach them with caution. First, the secret-ballot proposal has been part of the party statutes for years; it has just never been implemented. Second, the party remains an elite organization shrouded in secrecy, so the elections involve officials who are not chosen by the public. Third, the guiding principle of the Communist Party – "democratic centralism" – has not been diluted.

In fact, Gorbachev reiterated how important it was. Democratic centralism is more centralized than democratic. It means that party decisions are handed down from above and, once taken, cannot be challenged by lower organs. There are distinct limits to decentralization as long as the party remains so tightly controlled from above.

Nevertheless, Gorbachev is trying to revitalize the party and strengthen his own position by bringing new people into its echelons. Like Khrushchev, he is using the party as an instrument to consolidate his own power. But he must be aware that Khrushchev ultimately alienated too many vested interests by trying to expand the functions of the party.

Political prisoners released

Gorbachev's proposals must be viewed in the context of the sometimes remarkable changes that have recently taken place in the Soviet Union. The release of Andrei Sakharov, the prominent dissident scientist, and Sakharov's ability to speak out publicly would have been unthinkable two years ago. True, he has praised Gorbachev's efforts at promoting greater *glasnost* – or openness – in Soviet society and has denounced the United States' Strategic Defense Initiative program. But he has also criticized the Soviet Union's human-rights record. The Soviets have also released 150 political prisoners and say they will release more. Thousands remain behind bars, in labor camps or psychiatric hospitals, but it is at least a start.

But despite the release of prisoners, the Soviets so far remain unyielding on the issue of emigration, and the new law on emigration appears to further limit the possibility of leaving.

Initially, Gorbachev, who had very little international experience, moved cautiously on the foreign policy front. But he has become more assertive in recent months. The Soviet Union seems to be exercising more caution in some areas – notably its relations with Third World countries. It has yet to confront the implications of its domestic reforms for Eastern Europe, where some countries – notably Czechoslovakia and East Germany – are so concerned about the impact of Gorbachev's liberalizing proposals on their societies that they have yet to print all of his speeches on reform and democratization.

But Gorbachev has recently pursued a much more assertive policy toward the West, wooing Western Europe and now the United States. After the Reykjavik near-disaster, he seems to have concluded that it is preferable to seek an arms-control agreement with a weak Reagan administration rather than wait for an unknown president in 1989.

The Soviets have finally accepted the "zero option," which they rejected five years ago. They have dropped their insistence that no arms-control agreement is possible unless the United States first renounces its "star wars" program. The Soviets have offered to negotiate the withdrawal of all US and Soviet medium-range missiles in Europe.

Problems, or course, remain, particularly in the area of verification. Soviet short-range missiles (which have no US counterpart) and, above all, the large Soviet conventional military presence in Europe, which can still be used to intimidate Western Europe politically. Moreover, our allies, having fought so hard to deploy US missiles in Europe, are not certain they really want them removed now. Nevertheless, this is an important Soviet offer that may well bear fruit.

Gorbachev has also been quite successful in using the media to his advantage in the West. In February, a three-day conference, which attracted a glittering international audience and was attended by many Western luminaries, showed another side of his new policies. Primarily intended for Western consumption, this academic and business extravaganza included addresses by Sakharov and Gorbachev and presented discussions on religion, culture and, of course, disarmament and peace. Gorbachev, who addressed the gathering and worked the room like a Western politician, is trying the persuade the West that *glasnost* extends beyond the boundaries of the Soviet Union.

Obviously, neither the Soviet population nor the West could have expected Gorbachev to liberalize Soviet society overnight. Compared to the record of his immediate predecessors, including Brezhnev, Gorbachev's changes have been almost revolutionary. The West should encourage these changes by responding positively to them and should look for ways to constructively push for more.

But Gorbachev's recent moves are primarily intended for domestic consumption. They are also part of a gamble to secure his own power, and it is still unclear whether he will prevail. Of course, he can always blame unnamed conservative opponents if his reforms do not succeed. But if he fails to improve the Soviet Union's economic performance, which is his main task – and a more important one than opening up the party a few degrees or impressing foreigners – Gorbachev's moves toward democratization may never be realized.

UPI/Bettmann Newsphotos

Mikhail Gorbachev: Are his new ideas being accepted by colleagues?

Angela Stent, director of the Russian Area Studies Program at Georgetown University, is currently a Visiting Scholar at the Harvard Russian Research Center.

Soviet leader Mikhail Gorbachev's second anniversary in power took place last week and his reforms appear bent on changing the entire social, political and economic system of all the Russias. A noted expert on Soviet affairs takes a

Second Look

Glasnost: Does it really mean openness? Can it last?

By Marshall I. Goldman
Special to the Globe

Even the hard-liners are being forced to concede that something new is taking place inside the Soviet Union. Although a product of the Communist Party and the bureaucracy, like his predecessors, it is hard to deny that Mikhail Gorbachev is trying with all the energy and political skills he has to revamp not only the Communist Party and the bureaucracy, but the entire social, political, and economic system in the Soviet Union.

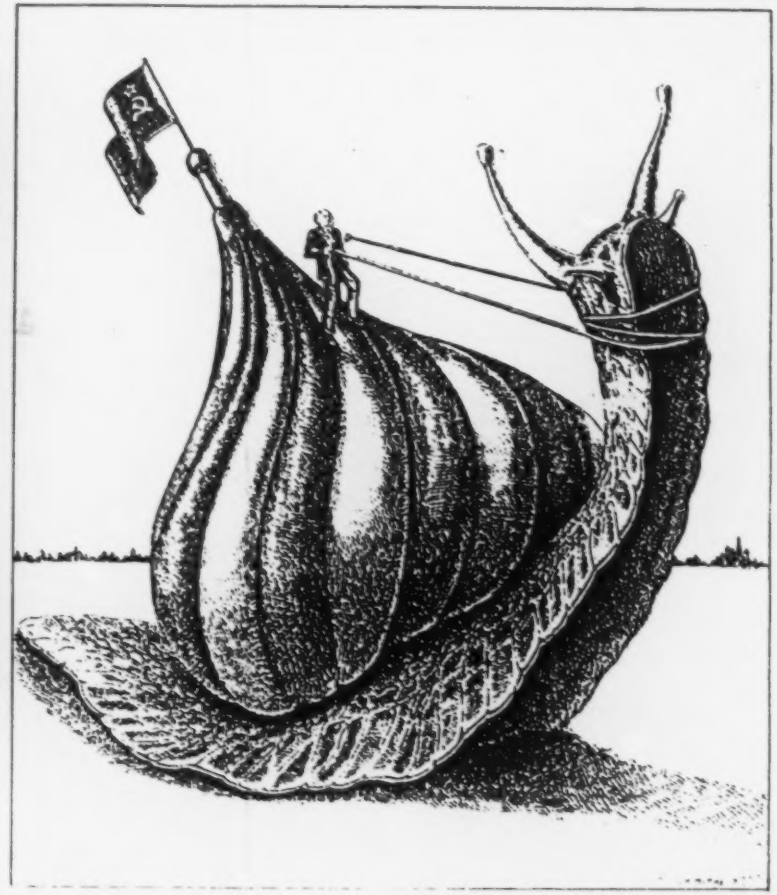
The dimensions of what Gorbachev is trying to do are breathtaking. Deng Xiaoping has tried to do the same thing in China, so far with very mixed results. Gorbachev seems equally ambitious and in many ways, more determined. He is proceeding at a much faster pace. Yet, so far, he seems to be encountering widespread resistance and there is relatively little to show for what he has done. His more radical economic proposals, such as the authorization of private business and joint ventures with capitalist businessmen, so far have not been implemented. Similarly, Gorbachev's call for secret ballots and multiple as well as nonparty candidates for government and party positions, and even elections for factory and farm managers, has been opposed and only one or two experiments have occurred.

But one reform where there has been some notable change is the new *glasnost*, or openness, policy. Admittedly, *glasnost* is far from universal. Yet as imperfect as the implementation of *glasnost* may be, what we tend to forget is that Gorbachev is only just completing his first two years in power. Given all that he has attempted to do and how he has dominated the news, it often seems like he has been in office much longer – at least a decade. But so far it is unfair to expect complete success. In fact, because the system has been so firmly entrenched, it is all the more remarkable that any change at all has occurred.

I: The commitment

Gorbachev's commitment to *glasnost* seemed to grow as he came to realize just how bad things inside the country, both economically and politically, had become. As a member of the Politburo for seven years before he became general secretary, Gorbachev must have had some idea about what was happening, but the utter corruption he has found in republics like Uzbekistan, Kazakhstan, Moldavia and the Ukraine, not to mention regions like Ulianovsk within the Russian republic itself, has probably come as a shock. Realizing the Soviet economy could not perform at its optimum as long as these local selfish interests could do as they pleased, Gorbachev decided

Milestones in the reforms by Gorbachev



Barbara Cummings illustration/Los Angeles Times Syndicate

he needed some system of checks and balances. As he explained in a speech to party officials during a visit to Khabarovsk in late July 1986, "the local parties are keeping quiet" and are not in effect blowing the whistle on wrongdoing. After all, why should they blow the whistle on themselves? But Gorbachev insisted that "we need publicity in order to insure fulfillment of the tasks" set out by the party. Thus, local newspapers must be allowed to investigate and criticize because "if we do not criticize ourselves and subject ourselves to analysis – we do not have any opposition parties ..." we will have no way of preventing or correcting abuses by local party officials. And as long as such abuses go unchecked, the workers will have no interest in joining in Gorbachev's efforts at restructuring. As he puts it, "a home can be put in order only by a person who feels he owns this house."

It has taken a long time, but Soviet spokesmen such as Tatiana Zaslavskaya are finally beginning to acknowledge openly that "half-truths ... in a certain sense are worse than lies." She goes on to point out that "if you conceal from people generalized information about the condition of their own lives (i.e. the degree of environmental pollution, the level of accidents in production, and crime rates, etc.) you cannot expect them to become more active in either production or political life. People's trust and support can only be obtained in response to trust placed in them."

II: The impetus

Although it is difficult to measure these things, the likelihood is that the main impetus for the *glasnost* policy is that Gorbachev sees this as a way to address domestic needs. However, there is no denying that the Soviets also expect that there will be a payoff internationally as well. More honesty and openness bring with it applause from the West and more respectability. The Soviet Union will never be accepted as a full member of the family of nations until it changes its undemocratic domestic policies and the introduction of *glasnost* is a critical step in that direction. The Soviets have also come to recognize that as long as they hold back information at home, their press will continue to lack credibility. As long as the Voice of America and BBC carry the news about events in the Soviet Union before the Soviet media do, Soviet listeners will continue to turn on their shortwave sets before listening to domestic broadcasts.

III: The implementation

Because the policy is so new, it is only to be expected that its implementation would be imperfect. On the impressive side is the acknowledgement that a KGB official in the Ukraine harassed and unjustly incriminated reporters from the local Ukrainian newspaper, as well as from Pravda. The Soviet press has also begun to discuss police brutality. After more than a week's delay, they were also unusually forthcoming about the Chernobyl disaster. Recently they have also been reasonably prompt in reporting ship sinkings, mine disasters, train wrecks, and even the two-day riot between Kazakhs and Russians in Alma-Ata, the capital of Kazakhstan. They also acknowledged that there had been "wild protests" by disgruntled workers at the Kama River Truck Plant in Brezhnev.

But the *glasnost* policy is not yet perfect. In many ways the biggest test occurred at Chernobyl, and there the Soviets fell far short of what they should have done. They said nothing to the Soviet Union as a whole and to the outside world for almost three days after the explosion took place. Even people on the scene were left without guidance for a full 36 hours. As a consequence, children were not told to stay indoors and some were observed playing soccer a few miles from ground zero. Moreover, in a perversion of the whole *glasnost* policy, the Soviet press proclaimed "we have no areas or personnel free from criticism. ... This was clearly confirmed for example, by Soviet media in their coverage of the disaster that occurred at the Chernobyl nuclear power plant. Even in this extreme case! Without any concealment, without fear that enemies would wrongly interpret the facts, the Soviet press truthfully related everything that happened."

Even those who are most closely identified with *glasnost* occasionally backslide. Just as they have so often in the past, Gennadi Gerasimov of the Ministry of Foreign Affairs and Georgi Arbatov of the Institute of the USA and Canada insisted that the plainclothes police officials who were beating up Jewish refuseniks and Western newsmen in February 1987 were "home-grown vigilantes," who took offense at the repeated demonstrations. That a group of vigilantes can resort to violence in broad daylight in the middle of Moscow while Soviet militiamen stand by without interfering suggests that *glasnost* is still a policy of convenience.

IV: The opposition

Certainly the *glasnost* policy still leaves much to be desired. What are its chances for success? As might be expected, *glasnost* has met with considerable opposition. As one Soviet commentator put it, "officials and bureaucrats are resisting ... stop! they say ... you are discrediting the system and the party." But it must be admitted that those who answer such critics do not always do so in a way that is entirely convincing. One proponent of *glasnost* explained that for some, official policy precluded any criticism of the airline Aeroflot because "criticism would undermine its prestige on international lines." But it is hard to believe he was serious, particularly when he went on to ask, "After this [criticism], did Aeroflot lose its prestige or international lines? It didn't, did it?" Should we tell him?

In other more dramatic instances, proponents of more openness have been fired from their jobs and expelled from the party. Even Gorbachev does not enjoy complete openness. Not only have some of his speeches not been reported, but some of the reported ones have been censored. Thus, when Gorbachev acknowledged that "we do not have any opposition party" in the speech cited earlier, the editors when reprinting his speech in Pravda left out that acknowledgement.

V: The prospects for success

Certainly the phenomenon of *glasnost* has taken the Soviet Union a long way in two years. For this they desire applause, both outside and in the Soviet Union. But it is not a complete process. Moreover, there is good reason to worry whether such a policy will ultimately succeed. In addition to all the pitfalls already mentioned, there is also the danger that in the midst of all this new openness, Gorbachev's abilities as a leader may be called into question. Look how much has gone awry since he has taken over! It is not that such disasters have not happened before – they have – but few people knew about them because they were not publicized. Now everyone knows and some may even conclude that all this bad news is evidence of Gorbachev's faulty leadership. Equally dangerous is the concern, which is evidently widespread, that these tragedies are not so much the consequence of poor leadership but the wrath of the devil. Among the superstitious in the Soviet Union, of whom there are millions, there is the firmly held belief that the prominent birthmark on Gorbachev's forehead is in fact the mark of Cain and that as long as Gorbachev is leader of the Soviet Union, the devil will inflict punishment on the country. This is how not only all these new disasters are explained, but even the cold weather of January 1987.

Given all these obstacles, the future of *glasnost* and Gorbachev is uncertain. Nor is there much that we in the United States can do, since if the assumptions here are correct, this is primarily an internal process. Obviously it would help Gorbachev if he could reach an arms agreement with the United States. Success here would provide him with momentum for his domestic policies. Otherwise the best we can do is acknowledge that something new and better is happening inside the Soviet Union. When there is backsliding, we should be quick to criticize, but when there are positive developments, we should be equally quick to applaud. Positive reinforcement in the Soviet Union could help Gorbachev. Given the enormity of what he is trying to do, he can use some encouragement now and then, particularly if it comes from those who have in the past insisted that no one could be bold enough to do what Gorbachev is indeed attempting to do.

Marshall I. Goldman is professor of economics, Wellesley College; associate director, Russian Research Center, Harvard; and author of the forthcoming "Gorbachev's Challenge: Economic Reform in the Age of High Technology"

1985

March 11

Gorbachev becomes general secretary of the Communist Party.

May

Factory experiment at two plants, Togliatti and Sumy, which allow firms to keep 70 percent of profits to finance themselves.

October

Eleven machine tool ministries put under the jurisdiction of the Bureau for Machine Building.

November

Six agriculture ministries combined into Gosagroprom.

Summit meeting between Gorbachev and Reagan in Geneva.

1986

February

27th Congress of the Communist Party.

Anatoly Shcharansky (now Natan Sharansky) freed from prison and allowed to emigrate.

March

Collective firms allowed to sell up to 30 percent of their output in cooperative stores in urban areas at high prices.

Bureau for Fuel Energy Complex established to coordinate energy ministries.

July

Crackdown on private trade activities.

August

American journalist Nicholas Daniloff arrested.

Soviet Union seeks admittance to the Geneva Agreement on Tariffs and Trade (GATT) as an observer.

Politburo authorizes creation of joint ventures with socialist and capitalist partners.

September

Monopoly of Ministry of Foreign Trade is broken and selected enterprises and ministries can now arrange their own export and import.

October

Iceland summit meeting between Gorbachev and Reagan.

November

Authorization providing for formation of new semi-private cooperatives.

December

Release of Andrei Sakharov from exile in Gorky.

Two days of riots in Kazakhstan.

1987

January

1,500 factories must have their production certified for quality before workers are paid.

Seven ministries and 36 enterprises are converted to new self-financing experiment introduced in May 1985 at Togliatti and Sumy.

New immigration law goes into effect which restricts immigration to invitations from immediate family members.

Release of more than 150 political prisoners.

Plenum of Communist Party convened.

Gorbachev calls for election of party, government and industry officials and managers. Final resolution authorizes many fewer elections than Gorbachev requested.

February

New law spelling out regulations for operating state enterprises — to be patterned on Togliatti and Sumy experiment — in all enterprises as of 1990.

May

Individual and family-run businesses authorized to open.

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Volume XI, No. 6 May 4, 1987

INDUSTRIAL PRODUCTION FIGURES

Product	1st qtr 1987	1st qtr 87 as % of 1986	March 1987 as % of 86
Electricity (b.kw.hrs)	453	104%	105%
Petroleum (inc. gas cond.)(mil. metric tons)	153	103	102
Nat. Gas (b.cu.mtr)	183	107	106
Coal (mil. metric tons)	196	101	102
Steel (mil. met. tons)	40.1	100.1	100.8
Fertilizer (mil.tons)	9.0	103	105
Metal-cutting tools (mil. rubles)	683	95	103
Robots (1000 units)	3.3	88	89
Computer Technology (bil. rubles)	1.2	106	132
Tractors (mil. hp)	13.4	96	106
Paper (mil. metric tons)	1.5	99	101
Cement (mil. metric tons)	33.4	102	102
Meat (mil. metric tons)	3.0	106%	113%
Margarine (1000 tons)	421	104	108
Watches (mils)	16.8	96	106
Radios (mils)	1.9	87	99
TV sets (mils)	1.9	83	95
Automobiles (1000s)	332	99.8	106

LIVESTOCK HERDS
(in millions)

	Apr 1 86	Apr 1 87	% Change
Cattle	97.0	97.6	100.6%
Cows	29.2	29.0	99.3
Hogs	58.8	59.6	101.3
Sheep & Goats	132.6	134.1	101.1
Chickens	779.3	777.7	99.7

FIRST QUARTER REPORT OF PRODUCTION IN THE SOVIET UNION

The economy seems to be recovering from the cold winter, but not yet from the new reforms. Thus in one of the critical industries we have been following carefully,

oil production is up 2% for the month of March 1987 compared to March 1986, and 3% for the whole quarter. Electrical energy production also seems to be recovering. In both cases the Soviets report that the plan was fulfilled in the first quarter. This is something that has not happened, at least with regard to the oil industry, for some time. This also suggests that they are recovering from the disruption that took place as a result of the accident at Chernobyl.

Steel industry production is about the same as it was in the previous year, although again the Soviets indicate that they have fulfilled the plan.

The effects of the reform, however, are not as easily dispensed with. Production in March 1987 over March 1986 is significantly below the preceding year in several industries, including turbines, robots, and in particular consumer goods such as dishes, television sets and motorcycles. There has been some recovery in some other products, such as refrigerators and automobiles. Nonetheless, the effects of both the winter and the quality rejection inspectors who have been refusing to accept poor quality merchandise is reflected in the fact that so many industries are so far below what was produced the previous year in the first quarter of year as a whole.

Gorbachev seems to be making an effort to improve food supplies. Meat production was up 13% in March and sausage production was up 7%. Purchases of cattle are also up.

LIVESTOCK HERDS

The livestock herd, except for cattle and chickens, continues to increase.

While the livestock situation seems to be improving, the cold winter may have indeed had an impact on the grain harvest. That may account in part for the Soviet purchase of American wheat. Undoubtedly the purchase was intended to improve relations with the United States, but there is also no doubt that the size of the purchases was also affected by the need to ensure an adequate supply of grain.

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Volume XI, No. 7 June 4, 1987

INDUSTRIAL PRODUCTION FIGURES

Product	Jan-Apr 1987 of 1986	Jan-Apr 87 as % % of 86
Electricity (b.kw.hrs)	590	104%
Petroleum (inc. gas cond.)(mil. metric tons)	204	103
Nat. Gas (b.cu.mtr)	242	106
Coal (mil. metric tons)	261	101
Steel (mil. metric tons)	53.7	100.5
Fertilizer (mil.tons)	12.1	103
Metal-cutting tools (mil. rubles)	934	98
Robots (1000 units)	4.8	99
Computer Technology (bil. rubles)	1.6	105
Tractors (mil. hp)	17.8	95
Paper (mil. metric tons)	1.9	103
Cement (mil. metric tons)	44.7	101
Meat (mil. metric tons)	3.8	107%
Margarine (1000 tons)	na	na
Watches (mils)	na	na
Radios (mils)	2.7	88
TV sets (mils)	2.7	85
Automobiles (1000s)	445	99.8

LIVESTOCK HERDS
(in millions)

	May 1 86	May 1 87	% Change
Cattle	99.9	98.8	98.9%
Cows	29.3	29.1	99.3
Hogs	58.9	59.	100.2
Sheep & Goats	146.5	145.5	99.3
Chickens	802.2	818.3	102.

PRODUCTION FIGURES FOR THE FIRST FOUR MONTHS OF 1987

The quality inspection program continues to create problems for some industries. Those factories making consumer goods, for example, appear to

be failing to produce as much as they did last year. It is more likely that they are producing the goods, but inferior goods are being rejected, and therefore not being counted in the production totals. The quality inspection program, when added to the impact of the very cold January, results in a large number of industries failing to meet their targets.

The results are not as bad in the more basic industries. In fact, in some cases the results are good. In electricity, for example, production is up 6% in April 1987, compared to 1986. For the whole four months, including the very frigid January, production is up 4%. The impressive improvement in April is probably due to the fact that at the end of April 1986, the explosion at Chernobyl occurred and this disrupted electrical generation in the Soviet Union.

In other major industries: oil production is up in April 1987 over 1986, but because of rounding numbers, it is difficult to tell exactly how much of an increase was achieved. The increase is between 1 and 2%. Similarly, the gas industry produced 5% more in April 1987 and the coal industry 2% more. In those industries, as well as steel, Gorbachev is not doing too badly.

Some new problems seem to have developed, however, with the livestock herds. The weather in the Soviet Union has been peculiar this whole four month period; not only was it cold in January, but there was some flooding in the spring. This apparently had an impact on the size of the livestock herds. Whereas the cattle herd on April 1, 1987, when compared to April 1, 1986, was up slightly, on a May to May comparison, it is down over 1%. Similarly, the sheep and goat herd is down compared to May 1, 1986, while on an April to April basis, things were not as bad. Offsetting that, however, is the fact that the poultry flock is up, on a May 1, 1987 to May 1, 1986 comparison, while on an April 1 to April 1 basis, they were down compared to what they were in 1986.

SOVIET BALANCE OF TRADE WITH EASTERN EUROPE

The Soviets have published the foreign trade figures with the East European satellites. Overall, the trade surplus the Soviets have incurred with Eastern Europe has increased. This undoubtedly is not to their liking. Some indication of this is that on his recent visits to Eastern Europe, Gorbachev has complained that the East Europeans are not exporting enough good quality products to the Soviet Union. As a consequence, for example, the Soviet Union's trade surplus with Romania is up 100 million rubles compared to 1985. The largest increase in the Soviet Union's surplus occurred with the German Democratic Republic. Whereas in 1985, the Soviet Union had 100 million ruble surplus, in 1986 that increased to over 700 million rubles.

On the bright side, from the Soviet Union's point of view, its trade surplus with Poland diminished slightly. In 1985, the Soviets had close to a billion ruble surplus. In 1986, that was reduced to slightly less than 700 million rubles. The only country that exports more to the Soviet Union than it imports is Hungary. In 1985, Romania also exported more to the Soviet Union than it imported. However, reflecting the difficulties Romania has experienced, in 1986 the Soviet Union had a trade surplus with Romania of close to 400 million rubles.

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SOVIET BALANCE OF TRADE WITH EASTERN EUROPE
(in million rubles)

	Exports from U.S.S.R.							Imports to U.S.S.R.						
	1980	1981	1982	1983	1984	1985	1986	1980	1981	1982	1983	1984	1985	1986
Bulgaria	3660	4375	4885	5511	6124	6435	6788	3439	3697	4288	5053	5608	6040	6191
Czecho-slovakia	3648	4382	5048	5872	6591	6813	6947	3536	4105	4732	5420	6017	6587	6556
GDR	4873	5526	6420	6798	7481	7652	7880	4327	5155	5776	6596	7367	7553	7128
Hungary	2982	3307	3707	4058	4321	4560	4678	2757	3300	3746	4007	4434	4850	4873
Poland	4406	4931	4813	5274	6069	6517	6814	3596	3221	4097	4787	5297	5525	6128
Romania	1350	1779	1424	1640	1807	1949	2823	1441	1673	1683	1665	1755	2277	2415
	20,919	24,300	26,297	29,153	32393	33,926	35930	19096	21,151	24,322	27,528	30,478	32,832	33291
Balance of Trade								+1823	+3149	+1975	+1625	+1915	+1094	+2639

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The Los Angeles Times
Tuesday, June 2, 1987

Resistance Alters Gorbachev's Tune

By MARSHALL I. GOLDMAN

No one ever promised Mikhail S. Gorbachev that reforming the Soviet Union would be easy. Opposition to his effort to establish joint ventures with foreign ownership indicates just how difficult his task is. The more far-reaching the change, the more determined the resistance becomes. At the same time, the further Gorbachev goes, the more those in favor of reform want him to go even further.

Evidently all this is beginning to wear on Gorbachev. He has begun to deny publicly that he has political opposition; instead, he suggests, some of the doubts about the ultimate success of his reforms are inventions of Western Sovietologists.

Because it seemed like the fastest and cheapest way to transfer and keep abreast of advanced technology, Gorbachev decided to reverse almost 50 years of Soviet dogma and authorize the formation of joint ventures with capitalist corporations. In the past the Soviet Union purchased technology outright. But, more often than not, this costly technology was used poorly. Equally distressing, Soviet engineers found it difficult to upgrade their newly acquired technology so that it kept pace with advances in the outside world. To Gorbachev, it made sense to allow foreigners to acquire up to 49% ownership interest in such projects. This way the foreigners, not the Soviets, would pay for the technology, and as continuing owners they would do all that they could to ensure that it kept pace with technology in the West.

Unfortunately for Gorbachev, it is not enough just to issue a decree authorizing joint ventures, as he did in January. There are major issues to overcome before these joint ventures come into being. For example, before Western investors commit themselves, they must know that they will be able to have control over quality, to import needed machinery and components, to select quality workers and components from within the Soviet Union at a reasonable cost and to repatriate their profits in Western currency.

It turns out that the Soviet side has similar concerns, and they are being pressed by those who oppose joint ventures because it seems to involve the reintroduction of capitalism to the Soviet Union—an ideological heresy—as well as by those who fear that the capitalists will take advantage of the Soviet Union and exploit it. As these officials see it, the capitalists are not interested in increasing Soviet exports; all they want is access to the Soviet domestic market and its cheap labor for their low technology. If this is all that will result from joint ventures, these Soviet bureaucrats worry, some day they will be the ones ultimately held accountable, particularly if Gorbachev should change his mind about the wisdom of joint ventures or even if Gorbachev should pass from the scene.

Just such concerns evidently explain why Yuri Dryomov, the newly appointed head of the Joint Venture Department in the Ministry of Foreign Trade, wrote an article in the English-language Moscow News that did all that it could to sabotage some of the most promising joint-venture initiatives. It was like discovering that the fire chief is an arsonist. Dryomov had virtually nothing positive to say about the joint ventures proposed so far. Instead, he attacked specific Japanese and Western proposals because, as he saw it, they involved low and obsolete, not high and advanced, technology. If they had their way, he wrote, the Japanese would involve the Soviet Union in making vinegar from rice and yogurt from soybeans, which is neither very important for the Soviet Union nor exportable.

Dryomov went on to complain that some Western companies wanted to foist chemical herbicides on the Soviet Union while the Western world was switching to biological means of crop protection. But his most savage attack was on an unnamed manufacturer of copying machines. He accused the manufacturer of trying to dump obsolete technology onto the Soviet Union while compelling the government to build an equally obsolete special paper-producing factory that would cost the country half a billion dollars.

What makes this criticism more interesting than usual is that, as part of the *glasnost* policy, the copying machine company, which turned out to be Britain's Rank Xerox, was given a chance to counterattack in a long interview in a subsequent edition of the same newspaper. Both the article and its editorial tone left Dryomov looking like a petty, ill-informed, old-fashioned obstructionist.

If Gorbachev is to succeed, he must win over his bureaucrats and induce them to show initiative. He knew that he would face opposition, and for months he spoke openly of it. But now he seems to sense that the opposition is more entrenched than he anticipated. This may explain why he has contradicted himself lately, acknowledging that there is resistance to his reform effort but denying that he has political opposition.

In seeking a scapegoat for the lack of progress, Gorbachev has begun to blame outsiders. In a remarkable speech earlier last month he complained that some Sovietologists in the West "want to sow doubt regarding the practicability of our plans." These Sovietologists, Gorbachev charged, seek to sabotage Soviet efforts at reform by asserting that "restructuring in our country is a half-measure, that it is not revolutionary enough, not effective enough."

Gorbachev is correct. Most Sovietologists do feel that his program has so far not been effective enough. The incident with Rank Xerox illustrates the point. If those selected to implement his reforms obstruct them, his efforts are doomed. Glasnost will help to unmask the problem, but in itself will not solve it.

Marshall I. Goldman, author of the just-published "Gorbachev's Challenge: Economic Reform in the Age of High Technology" (W. W. Norton), is a professor of economics at Wellesley College and the associate director of the Russian Research Center at Harvard.

Way to a Shortage—What to Do Now?

KGB spy could make it in the Amerikan she was bimbo-ized.

Vanna White's autobiography was on the bimbos had become major role models for erywhere. Girls who once might have s of becoming an astronaut or a candidate dent began to look beyond these limited nly every girl wanted to grow up to be a er turner!

ands of Americans bought "Vanna Speaks," tion from the "Wheel of Fortune" teller way to "60 Minutes" and People magazine. d the secrets of her success: "My beauty to do a little something for yourself every in, this means getting into good habits like ll your cuticles (fingers and toes) in the orning." They learned that Vanna's road to st perfect attendance in grammar school or thes in cold water, but actual talent. "I was Merv thought I turned the letters better e."

ad been paying a little attention, we would hat sometime in the late wilting summer ere the first intimations of a bimbo short- turned out to be a perishable commodity lf life. The media kept needing new ones.

At first we tried expanding the pool of potential candidates. An article appeared in Glamour asking the question, "Can You Be a Bimbo if You Are Flat-Chested?" and answering, "Yes! With a few fashion do's and don'ts." Another appeared in Harper's Bazaar entitled "Can You Be a Bimbo Over 40? Breaking the Barrier!"

Ms. magazine chimed in with a think piece entitled "The Matriarchal Roots of Bimbohood." By Thanksgiving there was a spate of articles by academic researchers about the dilemmas of professional bimbos facing the biological clock. The cover in Newsweek read "Bimbo or Bambino? Choices Women Face Today!"

Despite all our recruiting, it turns out that there were only so many women who could take themselves frivolously for so long. The sheer discipline that it required to have absolutely no thoughts in your head was finally daunting. How many could push their cuticles—fingers and toes—back every single morning, including Sundays?

Around Christmas time there were reports in Variety of "Bimbo Biz Bombing." Now the very same media moguls who found the bimbo such a handy way to meet their female quota have decided to meet together in urgent sessions to deal with the shortage. What to do? What to do?

Will the media have to—gasp!—take women seriously?

Ellen Goodman writes a syndicated column in Boston.

HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Volume XI, No. 8 July 5, 1987

INDUSTRIAL PRODUCTION FIGURES

Product	Jan-May 1987	Jan-May 87 as % of 1986
Electricity (b.kw.hrs)	716	104%
Petroleum (inc. gas cond.)(mil. metric tons)	258	102
Nat. Gas (b.cu.mtr)	302	106
Coal (mil. metric tons)	320	101
Steel (mil. metric tons)	67.5	100.4
Fertilizer (mil.tons)	15.2	103
Metal-cutting tools (bil. rubles)	1.2	99.1
Robots (1000 units)	6.1	98
Computer Technology (bil. rubles)	2.0	106
Tractors (mil. hp)	21.8	94
Paper (mil. metric tons)	2.6	99
Cement (mil. metric tons)	56.5	101
Meat (mil. metric tons)	4.5	106%
Margarine (1000 tons)	na	na
Watches (mils)	na	na
Radios (mils)	3.3	89
TV sets (mils)	3.5	88
Automobiles (1000s)	551	100.2

LIVESTOCK HERDS
(in 1000 tons)

	Jan - May 1987	Jan - May 1987 as a % of 1986
Cattle	5024	110%
Hogs	2140	107
Sheep & Goats	152	93
Chickens	1082	103

Commentary on production figures will resume in the August 1987 issue.

BALANCE OF TRADE WITH THE HARD CURRENCY COUNTRIES

The Soviets have just released the trade figures for all of 1986. The difference between 1985 and 1986 is quite striking. For example, overall exports to the hard currency countries were down by 4.7 billion rubles. While exports also decreased in 1985 compared to 1984, the drop then was only approximately 2.7 billion rubles.

Undoubtedly most of the drop in ruble exports can be accounted for by the lower energy prices and a drop in the overall volume of energy exported. However, the drop in 1986 was probably the sharpest ever incurred by the Soviets. Exports to West Germany, for example, were down by almost 1.4 billion rubles. Equally sharp percentage drops were recorded in the Netherlands, Italy and France. In some cases, it was almost a 50% drop.

Fortunately for the Soviets, the volume of their imports also dropped. Thus overall convertible currency imports were down by about 4.6 billion rubles. However, because exports dropped more than imports, the Soviets increased their overall trade deficit by about a half billion rubles in 1986. Their trade surplus with Western Europe and Japan shrank from 3314 million rubles to just 164 million rubles. Among the countries most effected by the Soviet cutback in imports was France. West Germany also suffered among the European countries.

The most dramatic cutback in imports, of course, was Soviet grain imports. Thus Argentina, which exports primarily grain to the Soviet Union, found that its exports to the Soviet Union were cut back by over a billion rubles last year. Similarly, American exports also declined, although some of that 1.2 billion ruble reduction was non-food products.

Overall it is clear that the Soviets are very anxious to see an increase in oil prices, as well as other energy products.

ANNOUNCEMENT OF CORPORATE SPONSOR SEMINARS

On the assumption that there will be a summit meeting sometime in October, the Russian Research Center has scheduled its annual Journalists Orientation for Monday, September 28. Details will follow in the August issue of the newsletter, but you should mark your calendar now.

We have scheduled a Corporate Seminar for Monday, October 26. The subject of the session will be joint ventures, with a look at joint ventures in both the Soviet Union and China. We will try to determine why the Chinese, while not entirely successful, have seemingly made more progress than the Soviets.

US-SOVIET TRADE FIGURES

The Department of Commerce has published the trade figures for the United States and the Soviet Union. For 1986, U.S. exports to the Soviet Union dropped by almost $1.2 billion. That drop is entirely due to the decline in agricultural exports, which fell by over $1.4 billion. This meant that in particular the exports of crude material, non-food, non-fuel products, increased instead.

The drop in exports continues into the first quarter of 1987. The drop in agricultural exports continues. Whereas in the first quarter of 1986, the U.S. exported approximately $250 million worth of agricultural commodities to the Soviet Union, in the first quarter of 1987, that fell to $30 million. Thus, while in the first quarter of 1986 we had more than a five to one ratio of exports to imports, in the first quarter of 1987, the ratio was less than two to one.

The main import from the Soviet Union continues to be ammonia, although petroleum imports are also an important source of earnings for the Soviets in their exports to the United States.

CURRENCY FIGURES

Rubles Purchased per 100	Jun 3 1987	Jun 24 1987
Austrian shilling	4.96	4.96
UK pound	103.51	102.98
FRG mark	34.82	34.83
US dollar	63.87	63.89
French franc	10.43	10.43
Japanese yen	.439	.438
Italian lira	.0482	.0483
Swiss franc	41.97	41.92

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BALANCE OF TRADE 1978, 1979, 1980, 1981, 1982, 1983, 1984, 1985, 1986
(Millions of Rubles)

	EXPORTS FROM THE USSR									IMPORTS TO THE USSR								
	1978	1979	1980	1981	1982	1983	1984	1985	1986	1978	1979	1980	1981	1982	1983	1984	1985	1986
Austria	371	442	580	854	675	566	761	805	540	272	368	396	507	535	787	891	859	852
Belgium	408	533	842	747	1032	991	1198	858	627	257	286	383	450	573	611	501	581	422
Gr.Brit	836	1094	859	645	813	1185	1393	1218	1274	662	811	953	858	752	632	819	684	515
Greece	189	180	409	538	533	533	582	594	219	70	65	92	100	122	155	102	134	65
Denmark	193	301	261	252	300	290	334	271	136	46	72	80	208	64	65	115	127	131
Spain	113	152	251	274	159	300	333	235	124	93	144	152	375	166	250	307	353	173
Italy	1112	1292	2111	2484	2821	2998	3156	2468	1581	858	863	934	1002	1222	1436	1325	1325	1474
Nether-lands	300	903	1027	1019	1505	1224	1612	987	576	162	243	361	458	359	489	276	313	245
Norway	59	87	49	52	93	80	129	104	52	66	51	79	96	72	102	80	73	69
Germany	1498	2218	3096	3635	4065	4067	4536	4251	2879	1969	2485	2989	2703	2913	3360	3376	3243	2968
France	840	1426	2242	2525	2228	2422	2447	2174	1541	947	1198	1510	1665	1268	1728	1777	1603	1130
Switzer-land	286	314	445	331	533	510	541	384	287	225	276	403	497	411	345	410	567	456
Sweden	312	554	355	291	409	652	563	492	298	190	223	322	347	345	255	272	306	245
Japan	736	944	950	817	757	825	840	928	980	1583	1661	1773	2213	2926	2176	2054	2287	2205
SUB TOTALS	7312	10528	13568	14610	15988	16683	18469	15769	11114	7459	8781	10464	11516	11771	12429	12358	12455	10950
Sub-Balance of Trade										-147	+1747	+3104	+3094	+4217	+4254	+6111	+3314	+164
Argen-tina	22	25	30	31	28	26	26	62	53	309	289	1162	2372	1265	1300	1104	1230	192
Brazil	34	20	22	16	180	107	95	70	30	130	160	253	534	416	591	373	380	236
U.S.A.	253	350	151	183	155	331	306	326	313	1599	2487	1352	1662	2072	1570	2829	2376	1146
Canada	29	32	30	50	21	24	19	18	10	359	453	972	1377	1378	1278	1403	949	624
Australia	5	5	6	11	14	12	22	14	8	275	393	775	538	510	404	481	532	509
N Z	3	3	3	7	8	6	8	4	5	42	114	167	168	230	179	49	87	89
TOTAL	7658	10963	13810	14908	16394	17189	18945	16263	11533	10173	12677	15145	18167	17642	17751	18597	18009	13746
Balance of Trade										-2505	-1714	-1335	-3259	-1248	-562	+348	-1746	-2213

U.S. total exports

(F.a.s. value basis, in thousands of dollars)

Country/Commodity	1982	1983	1984	1985	1986	January-March--	
						1986	1987
U.S.S.R. (Soviet Union)							
0 Food & live animals	1,642,161	1,194,970	2,585,083	1,728,525	318,242	245,467	30,029
1 Beverages & tobacco	2,979	954	1,264	8,732	497	231	0
2 Crude matl--inedible,not fuel	214,250	264,594	224,263	90,450	328,102	207,644	628
3 Mineral fuels, lubricants, etc	90,013	22,571	30,045	54,538	56,312	11,244	12,032
4 Oils & fats--animal & veg prod	40,565	21,507	38,872	63,927	15,470	6,664	8,202
5 Chemicals	287,846	239,532	208,219	281,634	288,373	61,345	59,749
6 Mand goods by chief material	29,261	30,035	17,555	9,597	14,159	1,057	2,949
7 Machinery & transport equip	225,698	149,754	110,253	112,079	156,329	35,486	23,791
8 Miscellaneous mand articles	59,187	76,494	66,172	71,326	68,411	12,873	12,877
9 Commodities & transactions nec	614	2,461	2,205	2,017	1,618	545	209
Total	2,592,575	2,002,872	3,283,931	2,422,826	1,247,512	582,557	150,466

U.S. IMPORTS FOR CONSUMPTION
U.S. imports for consumption

(C.i.f. value basis, in thousands of dollars)

Country/Commodity	1982	1983	1984	1985	1986	January-March--	
						1986	1987
U.S.S.R. (Soviet Union)							
0 Food & live animals	5,413	18,054	17,415	12,866	3,001	746	290
1 Beverages & tobacco	11,000	12,923	9,997	12,249	15,351	2,999	3,658
2 Crude matl--inedible,not fuel	10,049	12,075	19,353	15,875	37,851	7,882	17,550
3 Mineral fuels, lubricants, etc	10,946	59,158	202,563	106,076	86,831	0	15,269
4 Oils & fats--animal & veg prod	6	1	12	44	8	8	0
5 Chemicals	131,374	161,121	235,014	216,833	185,521	63,152	32,355
6 Mand goods by chief material	63,349	91,304	107,794	64,906	105,565	24,157	26,002
7 Machinery & transport equip	1,624	3,750	2,874	4,648	5,028	1,103	742
8 Miscellaneous mand articles	9,156	6,381	4,566	3,515	4,474	576	891
9 Commodities & transactions nec	5,277	2,341	2,494	3,689	157,766	657	547
Total	248,195	367,107	602,081	440,701	601,396	101,280	97,304

U.S. total exports

(F.a.s. value basis, in thousands of dollars)

Country/Commodity	1982	1983	1984	1985	1986	January-March--	
						1986	1987
U.S.S.R. (Soviet Union)							
0 Agricultural	1,855,415	1,457,101	2,816,816	1,864,358	647,452	455,712	38,231
1 Non-agricultural	737,160	545,771	467,115	558,468	600,060	126,846	112,235
Total	2,592,575	2,002,872	3,283,931	2,422,826	1,247,512	582,557	150,466

- 1 -

U.S. IMPORTS FOR *** CONSUMPTION ***
U.S. imports for consumption

(C.i.f. value basis, in thousands of dollars)

Country/Commodity	1982	1983	1984	1985	1986	January-March--	
						1986	1987
U.S.S.R. (Soviet Union)							
0 Agricultural	11,192	10,714	11,313	8,753	16,885	3,454	6,276
1 Non-agricultural	237,003	356,394	590,769	431,948	584,511	97,825	91,027
Total	248,195	367,107	602,081	440,701	601,396	101,280	97,304

Why glasnost is a Catch 22

Gorbachev and the Soviets ponder the perils of major economic reform

By Marshall I. Goldman

It is not only Mikhail S. Gorbachev who has to make some tough decisions about the course of his economic reforms. It is also the Soviet people. For Gorbachev, if he does not push the changes hard enough, he will have nothing to show for his efforts; if he pushes too hard, he risks stirring up the kinds of hostility that could assure not only the failure of his reforms, but his ouster from office as well.

The choices for the Soviet people are not much easier. If they want real improvement in their living standards, they will have to commit themselves to the reforms. But even if everyone decides to cooperate, there is no guarantee that the reforms will succeed, which could make support for the reforms dangerous, particularly if Gorbachev should lose control.

Inevitably, this realization has a dampening effect on those who are considering whether to put their necks out and respond to Gorbachev's call for a show of initiative on behalf of the reforms. Who will protect them if Gorbachev should be ousted? So why take a chance? Clearly, the safest course of action is to hunker down and hope no one will notice. Yet the more there are who take that attitude, the more likely it is that Gorbachev will fail.

Gorbachev recognizes the dangers posed by such passivity. This helps explain why he is now becoming highly sensitive to those in the West who criticize his schemes. He is particularly upset when some argue that, as bold as he has been, he has not gone far enough to make a real difference. As Gorbachev put it earlier this month, "Look with what partiality, with what a fine-tooth comb everything being done in our country is being studied in the West. Various Sovietology centers have been assigned to study" our restructuring (*perestroika*). "They are seeking to show *perestroika* in our country is a half measure, that it is not revolutionary enough, not effective enough. They want to sow doubt about the practicality of our plans."

Gorbachev is correct when he argues that many are skeptical about how successful his plan will be, but wrong when he asserts that criticism is intended to sabotage his efforts. Many agree that what he is attempting is imaginative, daring and certainly a move in the right direction. But he must go further because, based on the results so far, he has not been able to generate the support and participation he needs from either the Soviet bureaucracy or the public.

For example, Soviet authorities decreed in 1986 that 70 enterprises and 20 ministries could begin to import and export on their own. This had the effect of ending the monopoly of the Ministry of Foreign Trade over exports and imports – potentially a radical change. So far, however, very few of those authorized have taken advantage of this opportunity. When someone actually begins to inquire about what has to be done to import or export without dealing through the Ministry of Foreign Trade, they inevitably are asked, as was the director of a factory in Volograd, "Why do you have to take such a burden upon yourself?"

The response to the announcement that joint ventures with foreign partners could be established in the Soviet Union has been equally tepid. Given all the interest that has been expressed, that is surprising. After all, hundreds of letters of intent have been signed by Western businessmen with their Soviet counterparts. It turns out, however, that most of those letters of intent were signed by Western businessmen who were told that, if they did not sign such letters, they would be unable to export anything more to the Soviet Union. Since the letters of intent are not legally binding, almost everyone pressured signed them.

However, except for two French banks (Credit Lyonnais and Banque de l'Union Europeinne), Burda International, a West German publisher of fashion magazines, and some Finnish hotel operators, there is not much else to show. The legal questions involved are so complicated, and there is always the danger that anyone authorizing such an understanding may someday be accused of having committed a petty bourgeois act. No wonder Soviet bureaucrats are hesitant about being part of such a far-reaching decision.

The contrast with the introduction of joint ventures in China is instructive. While the ideological implications of joint ventures in China were not less laden with possible recrimination, Chinese authorities moved with much greater speed, and, in a short time, there were thousands of officially sanctioned foreign and international joint ventures on Chinese territory, some of which are 100 percent owned by foreigners.

The response to the Soviet law authorizing private business has also been timid. Admittedly, there is considerably more enthusiasm in some of the non-Slavic republics, such as Uzbekistan, but in the Slavic parts of the country, interest is tempered, to say the least. In Moscow, for example, out of 8 million residents, only 2,000 new applicants have come forth to register to open up their own businesses. Again, the response was much greater and faster in China.

Finally, Gorbachev's effort to generate more interest among the peasants in working harder and earning more for their efforts has had only limited success at best. Gorbachev decreed that Soviet farms could sell up to 30 percent of what they produced in cooperative stores or in the collective farm markets, where prices are considerably higher than those that usually prevail in the official state retail stores. Thus far, only 2 percent of the produce grown by the farms has been sold this way. Again, the meagerness of the response is primarily due to the fear that someday what is officially applauded today may again come to be regarded as price gouging and an act against the people.

What is so disheartening is that even if he had wholehearted support from the Soviet people for his proposals, that would still not produce the radical transformation Gorbachev is seeking. As bold as his already announced steps may seem to some, they are not forthcoming enough. Ultimately he will have to allow for more flexible price changes and the bankruptcy of some factory operations that are unprofitable, even if that means unemployment. The clear implication is that if Gorbachev cannot generate enough support for the relatively modest reforms he has decreed so far, he will have an even more difficult time in enlisting enthusiasm for the even more far-reaching changes that lie ahead.

So far, the Soviet Union and the Soviet people appear to be too resistant and too fearful about the eventual consequences of backing changes. Unfortunately, this hesitancy all but guarantees that Gorbachev will not succeed.

Marshall I. Goldman, professor of Economics at Wellesley College and associate director of Harvard University's Russian Research Center, is the author of the just published "Gorbachev's Challenge: Economic Reform in the Age of High Technology."

Even the Czar Faced Anchor-Draggers

By Marshall I. Goldman

VIENNA

What a difference a year makes! A year ago in Leningrad, Soviet economists bitterly defended the economic status quo and criticized a foreign visitor who dared to suggest that radical reform might be necessary. Some of their counterparts in Moscow had begun to share foreigners' doubts, but in outlying areas the word had yet to filter down that now "criticism" was in and "defensiveness" was out.

Today, economists in Leningrad are almost as willing to acknowledge the need for serious change as their Moscow comrades. In fact, most of their defensiveness is gone. When it comes to arms control and the specifics of economic reform, one can still have a good argument. But it's hard to have an all-out confrontation. For years, debating with Soviet economists often seemed like talking to stone walls; maybe those walls had ears, after all.

In nationally circulated journals, Soviet economists today openly espouse views that as recently as 1983 could appear only in classified form. Some want to do away completely with central planning and finance. Others argue that all controls over imports and exports should be abolished and that the ruble be made freely convertible into dollars, other Western currencies and the yen.

Whether or not there should be any control over prices is as hotly argued as how high the level of unemployment should be and how many workers may be hired by a private or cooperative business. Administrative controls are bad, profits are good — and all of this is to be done to make socialism work better.

Russians who regard all this as the abandonment of Communism are keeping a low profile, at least for now. Yet proposed reforms and Mikhail S. Gorbachev's efforts to push them through are barely visible. What is the problem?

The problem is that the interest of the bureaucracy and the deeply-rooted planning system conflict with Mr. Gorbachev's far-reaching reforms. Efforts to modernize Russia are not new, and Mr. Gorbachev is not alone in encountering resistance.

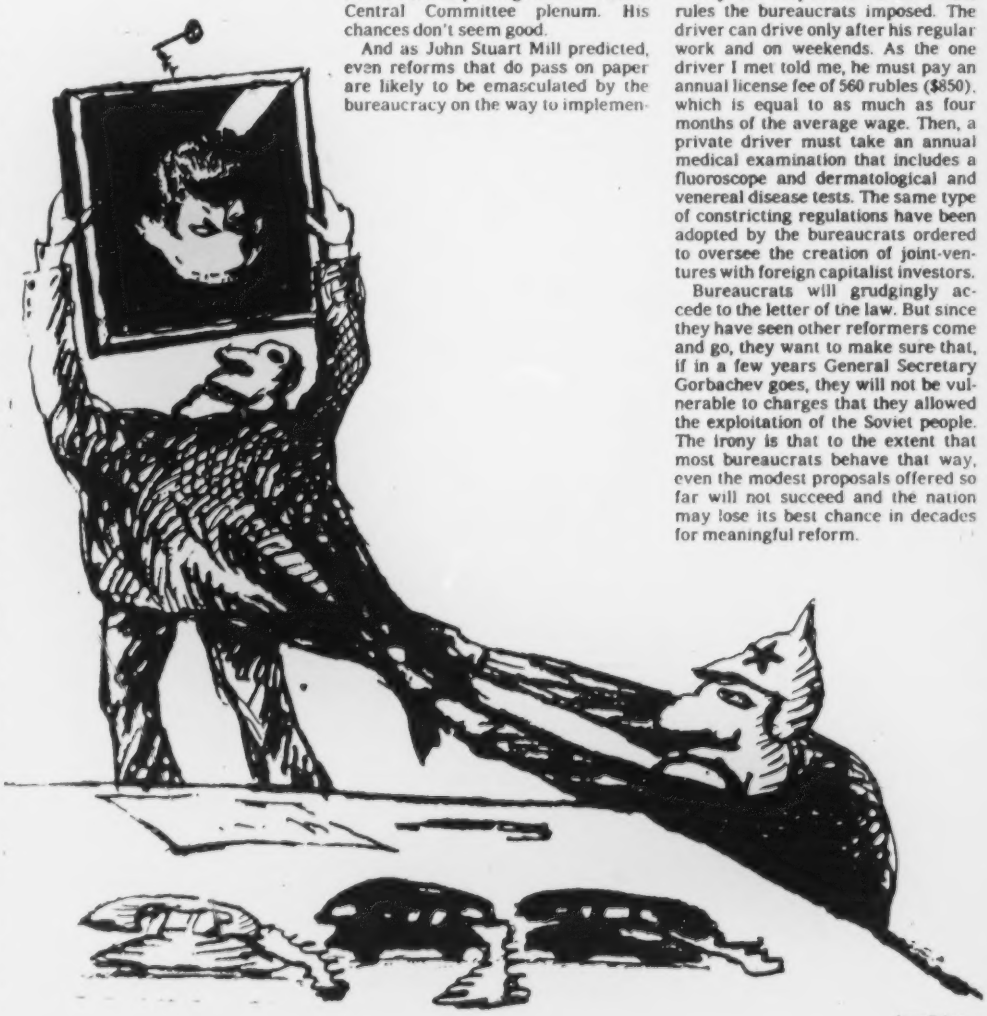
As one observer put it: "The Czar himself is powerless against the bureaucratic body: He can send any one of them to Siberia, but he cannot govern without them or against their will. On every decree of his they have a tacit veto, by merely refraining from carrying it into effect."

That was written by John Stuart Mill in 1859. It describes what Mr. Gorbachev faces as he tries to persuade the Politburo to adopt his economic reform package at this week's Central Committee plenum. His chances don't seem good.

And as John Stuart Mill predicted, even reforms that do pass on paper are likely to be emasculated by the bureaucracy on the way to implementation. As of May 1, private business — for example, operating a private cab — has been legal, even encouraged. But not one Government taxi operator out of the 20 I questioned in Moscow and Leningrad thought much would come out of this new law. One said, "There are virtually no private taxi drivers, and I've met the one fool who has decided to try."

Why the skepticism? Look at the rules the bureaucrats imposed. The driver can drive only after his regular work and on weekends. As the one driver I met told me, he must pay an annual license fee of 560 rubles ($850), which is equal to as much as four months of the average wage. Then, a private driver must take an annual medical examination that includes a fluoroscope and dermatological and venereal disease tests. The same type of constricting regulations have been adopted by the bureaucrats ordered to oversee the creation of joint-ventures with foreign capitalist investors.

Bureaucrats will grudgingly accede to the letter of the law. But since they have seen other reformers come and go, they want to make sure that, if in a few years General Secretary Gorbachev goes, they will not be vulnerable to charges that they allowed the exploitation of the Soviet people. The irony is that to the extent that most bureaucrats behave that way, even the modest proposals offered so far will not succeed and the nation may lose its best chance in decades for meaningful reform.



Jerzy Kolacz

Marshall I. Goldman, professor of economics at Wellesley College and associate director of the Russian Research Center at Harvard, visited the Soviet Union this month.

HARVARD

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RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Volume XI, No. 8

August 1, 1987

INDUSTRIAL PRODUCTION FIGURES

Product	Jan-Jun 1987	Jan-Jun 87 as % of 1986
Electricity (b.kw.hrs)	836	104%
Petroleum (inc. gas cond.)(mil. metric tons)	309	102%
Nat. Gas (b.cu.mtr)	359	106%
Coal (mil. metric tons)	383	101%
Steel (mil. metric tons)	80.7	100.3%
Fertilizer (mil.tons)	18.1	103
Metal-cutting tools (mil. rubles)	1414	99
Robots (1000 units)	7.4	97
Computer Technology (bil. rubles)	2.5	107
Tractors (mil. hp)	25.9	94
Paper (mil. metric tons)	17.8	103
Cement (mil. metric tons)	68.0	102
Meat (mil. metric tons)	5.9	106
Margarine (1000 tons)	821	106
Watches (mils)	34.5	99.1
Radios (mils)	4.0	90
TV sets (mils)	4.2	90
Automobiles (1000s)	660	100.3

LIVESTOCK HERDS
(million head)

	July 1 1986	July 1 1987
Cattle	99.2	98.7
Cows	29.4	29.0
Hogs	60.2	59.1
Sheep & Goats	142.5	142.1
Chickens	788.7	785.8

INDUSTRIAL PRODUCTION FOR THE FIRST HALF OF 1987

There is some good news and some that is not. We normally do not quote the macro indices the Soviets publish because the weights are always suspect. However, according to Soviet statistics, there does seem to be an improvement between the second and first quarters of 1987. For example, the figures for industrial production for the second quarter show an increase of 4.4%, compared to 2.5% for the first quarter, when the weather was very cold. Similarly what the Soviets report as produced national income increased 3.6% in the second quarter of 1987, compared to only a 1% increase in the first

quarter. While this clearly reflects the bad weather of January and February, it does seem to indicate that Gospriemka (the quality inspection system) is not causing the number of problems in the second quarter that it did the first. That at least is what the macro indices show. Indeed Soviet statisticians report that there does seem to be a somewhat slower rejection rate of goods in the second quarter. Whereas in the first quarter the average of goods rejected was something like one hundred million rubles a month, now it is only ninety million rubles. The Soviets say the ninety million ruble figure is .8% of overall production.

However, a look at the individual industries for the first six months suggests that there are more significant problems. Again, while the production of basic commodities continues to grow, there do seem to be real problems with goods which have a higher value added and require more fabrication. Thus, production is below what it was in 1986 for an unusually high number of goods ranging from generators and turbines, which are only 78% of what they were in 1986, to motorcycles which are down to 89% of 1986 production. Moreover, there was a report by one senior Soviet official that wage penalties for many of the fifteen hundred factories which have been assigned quality inspectors are down an average of approximately 2 to 10%. That is a reflection of the fact that when production is deemed substandard, workers are not paid for those rejected goods.

At the same time, production of basic commodities, the traditional Soviet strength, continues to increase, even though in some cases the increase is moderate. Thus in steel production, the increase is less than 1%. Oil production is up 2% for the entire six month period, but for the first time in 1987, production for the month as a whole, compared to the same month last year, that is, July to July, is constant. That is the first time in sixteen months that production did not rise from the comparable month of last year. This could be a temporary phenomenon or it may indicate a slowdown in the production of petroleum. In contrast, natural gas production is up 6% for the month of June 1987 compared to June 1986, which is still somewhat lower than the 8 to 10% increases recorded a few years ago. Similarly coal production is up 3% for the month of June.

Other interesting features in the report of the first six months include the level of vodka and soft drink sales. Soft drink sales and production have been increasing. Thus fruit juice production was up 50% in the first six months of the year. However, other nonalcoholic drinks were up only 7%. Fruit and vegetable juice sales actually declined in the first six months and nonalcoholic drink sales rose only 9%. While the sales of alcoholic drinks fell by 22%, it is interesting to note that sugar production rose 14%. This seems to suggest that more and more people are making their own alcoholic beverages at home. That also corresponds to some of the criticism that Gorbachev has leveled at a slackening of the campaign against alcohol abuse.

Retail sales for the first six months show that meat sales are up 6% and fruit and citrus products sales were up 10%. The fruit sales, in particular, are impressive given the fact that there was such a severe winter this year which made it difficult to put fruit on sale earlier in the year, as would normally be the case.

Finally, wood product sales are up 14%, suggesting that there is a greater emphasis being put on do-it-yourself construction, a relatively new phenomenon in the Soviet Union.

BALANCE OF SOVIET TRADE FOR THE FIRST QUARTER OF 1987

In the official report of the Central Statistical Agency for the first quarter of 1987, it was reported that the volume of foreign trade for both hard and soft currencies shrunk by 15%. As a look at the trade figures for specific countries indicates, that drop approximates the drop in exports to the hard currency bloc. However, the drop in Soviet imports from the hard currency bloc fell by over 25%. That is why the trade deficit with the hard currency bloc for the first quarter was cut in half from 1.2 billion rubles in 1986 to just about .5 billion rubles in 1987. That has not been good news for exporters to the Soviet Union. For example, exports from Japan fell by over 200 million rubles. That makes up almost half of the drop. In addition, of course, the grain exporting countries also suffered. For example, exports from the United States fell by even more, that is by 400 million rubles. Those from Argentina also fell by about half.

Because we have several readers in Finland, we have decided in response to their requests to include Soviet export and import

figures with Finland. The Finnish account for the most part is done on a clearing or barter basis, but Finland is a major trading partner with the Soviet Union and should be listed to provide a fuller picture. For the most part, the trends of the hard currency bloc are not changed by the inclusion of Finnish trade figures. Thus, the trade deficit, including Finland, was cut in half in the first quarter of 1987 compared to 1986.

ANNOUNCEMENT OF CORPORATE SPONSOR SEMINARS

On the assumption that there will be a summit meeting sometime in November, the Russian Research Center has scheduled its annual Journalist Orientation for Monday, September 28. A program and application form are included with this newsletter.

In light of the interest shown in joint venture opportunities with the Soviet Union, we have scheduled a Corporate Seminar for Monday, October 26. Our intention is to examine the topic of joint ventures, focusing attention on opportunities in both the Soviet Union and China. We will try to determine why the Chinese, while not entirely successful, have more actively pursued the option of joint venture contracts than the Soviet Union and how Western experiences in Chinese joint ventures can to some degree inform us about what to expect in Soviet joint venture projects.

CURRENCY FIGURES

Rubles Purchased per 100	July 15 1987	July 22 1987
Austrian shilling	4.95	4.93
UK pound	103.52	103.53
FRG mark	34.78	34.67
US dollar	64.28	64.47
French franc	10.44	10.41
Japanese yen	.424	.422
Italian lira	.0480	.0480
Swiss franc	41.67	41.63

THE RUSSIAN RESEARCH CENTER takes no official stand on any economic or political trend. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article, or unless otherwise stated, with those of the editors, Marshall I. Goldman and Catherine Reed. RRC @ 1986

SUBSCRIPTION RESPONSE CARDS

We want to thank our readers for the overwhelmingly high response rate to the subscription card request which accompanied the July issue of the Economic Newsletter. Boxes of cards have been received to date and the level of response is quite gratifying.

Please note that you have until September 1 to return the card in order to continue receiving the newsletter. All those not responding by that date will be removed from our mailing list. If you have lost or misplaced the card, just drop us a note on a standard post card.

Thanks also for the kind words which accompanied many of the requests for renewal.

Name: _____ (Please print)

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Return to RRC, 1737 Cambridge St., Camb. MA 02138
ATTN: Marshall I. Goldman

BALANCE OF TRADE - 1st QUARTER OF 1981, 1982, 1983, 1984, 1985, 1986, 1987

(Million Rubles)

	EXPORTS FROM THE USSR							IMPORTS TO THE USSR						
	1981	1982	1983	1984	1985	1986	1987	1981	1982	1983	1984	1985	1986	1987
Austria	189	196	149	167	142	155	87	137	119	188	230	166	236	146
Belgium	105	280	230	194	178	143	151	125	198	152	142	149	156	96
Great Britain	148	219	227	307	252	246	303	300	169	208	183	166	150	159
Greece	99	121	36	84	107	47	41	30	37	35	32	27	18	10
Denmark	31	94	68	60	61	34	22	108	29	19	36	21	42	22
Spain	65	30	68	54	47	13	85	131	61	84	65	107	61	35
Italy	474	589	745	721	388	334	381	247	292	392	294	302	293	397
Netherlands	189	317	378	371	103	107	123	158	142	129	58	68	70	64
Norway	20	9	10	29	10	10	8	20	17	18	27	15	24	14
Germany	477	1001	851	1119	773	862	547	722	744	940	800	838	786	712
France	485	471	432	572	407	361	311	468	348	491	473	509	428	325
Switzerland	15	87	139	83	71	89	76	181	118	121	90	134	135	168
Sweden	30	66	116	129	83	66	78	105	101	72	67	79	65	68
Japan	201	187	196	195	208	230	207	609	801	654	520	570	577	351
SUBTOTAL	2528	3667	3645	4058	2830	2697	2420	3391	3176	3503	3017	3151	3041	2567
Sub-Balance of Trade								-863	+491	+142	+1041	-321	-344	-147
U.S.A.	12	23	54	83	75	71	59	573	980	526	580	1005	507	103
Canada	17	7	4	3	6	3	6	137	148	243	86	84	124	110
Australia	2	2	1	5	1	3	1	252	130	202	137	202	206	108
New Zealand	1	2	1	1	--	1	1	50	109	88	22	23	36	18
Argentina	12	8	7	6	12	26	3	349	310	367	323	296	59	80
Brazil	2	44	4	42	24	21	16	138	148	93	161	57	92	23
TOTAL	2574	3753	3716	4225	2948	2822	2506	4890	5001	5022	4326	4818	4065	3009
Balance of Trade								-2316	-1248	-1306	-101	-1870	-1243	-503
Finland	473	459	460	425	392	378	331	516	672	781	669	524	443	471
Including Finland	3047	4212	4176	4650	3340	3200	2837	5406	5673	5803	4995	5342	4508	3480
Balance of Trade with Finland								-2359	-1461	-1627	-345	-2002	-1308	-643

HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Volume XII, No. 1 September 8, 1987

42030-1

INDUSTRIAL PRODUCTION FIGURES

Product	Jan-Jul 1987	Jan-Jul 87 as % of 1986
Electricity (b.kw.hrs)	960	104%
Petroleum (inc. gas cond.)(mil. metric tons)	362	102%
Nat. Gas (b.cu.mtr)	417	106%
Coal (mil. metric tons)	445	101%
Steel (mil. metric tons)	94.3	100.4%
Fertilizer (mil.tons)	21.0	104%
Metal-cutting tools (bil. rubles)	1.6	98%
Robots (1000 units)	8.5	94%
Computer Technology (bil. rubles)	3.0	107%
Tractors (mil. hp)	30.1	94%
Paper (mil. metric tons)	3.6	99.4%
Cement (mil. metric tons)	79.6	102%
Meat (mil. metric tons)	6.2	106%
Margarine (1000 tons)	na	na
Watches (mils)	40.5	99.4%
Radios (mils)	4.7	9[illegible]%
TV sets (mils)	5.0	91%
Automobiles (1000s)	774	100.3%

LIVESTOCK HERDS
(million head)

	Aug 1 1986	Aug 1 1987
Cattle	98.8	98
Cows	29.3	29
Hogs	62	60.1
Sheep & Goats	139	138.4
Chickens	798.1	810.8

BAD NEWS FOR GORBACHEV

Despite his call for improved economic performance, Gorbachev undoubtedly must be disappointed by the economic results for July 1987. Officially it has been reported that productivity of labor rose by 3.6% and industrial production rose 3.5%. However, a clos-

er look at the statistics suggests that he is continuing to have some economic problems. Production of several major products declined; some have been dropping all year. However, now output is also decreasing in some new sectors.

Gorbachev's biggest disappointment must come from the fact that oil production not only leveled off in June of 1987, but in July fell by 3% below what had been produced in July 1986. For the year as a whole to date, oil production is up 2% over what was reported for the first seven months of 1986. However, Gorbachev must be disappointed by July's results. This is the first time output has dropped since November 1983. More importantly, the drop then was corrected by Gorbachev when he came to power by cracking down on discipline. It will be difficult for him to perform an encore in the hope that discipline alone will solve some of the problems. In other words, for the first time the fall in output may be due to something more than poor discipline. Readers should also look at the letter to the editor from our long-time correspondent in the U.S. Geological Service, James W. Clarke.

But it is not only oil output that is suffering. A whole list of products requiring value added are being rejected as part of the new crackdown for improved quality. This started when inspectors were sent into fifteen hundred of the largest Soviet factories in January of this year and it has continued. In addition, even products which do not require much fabrication are beginning to experience a slowdown in their rate of growth. For example, steel production on a July to July basis is virtually constant. Electricity production was up only 3%, gas production only 5%, and coal production was constant. A comparison of output for all seven months with month by month figures shows that the trend is less favorable in all four industries. In other words, there is still growth, but the rate is slipping behind what it had been earlier in the year.

LIVESTOCK REPORT

Gorbachev's problems also seem to extend to agriculture. His livestock herds appear to have diminished. There may be special reasons for this, including an emphasis on better quality livestock, rather than just sheer numbers. Nonetheless, we haven't seen such a drop in the size of the herds on an August 1st to August 1st comparison for several years. This suggests that feed may be in short supply. For example, cattle and cows are down by 1% and hogs are down by 3%. Only the chicken herd has increased in number. A year ago the herds were larger in every instance, except for cows and chickens.

SOVIET TRADE BALANCE WITH EASTERN EUROPE

For the first quarter of 1987, the most notable feature of the Soviet trade figures for the first quarter of 1987 with Eastern Europe is that Soviet exports dropped significantly. This again may be a reflection of poor weather. Soviet exports fell by approximately 700 million rubles. In contrast, however, their imports rose by approximately 70 million rubles. As a consequence, the Soviets managed to reduce their trade surplus from close to 700 million rubles to barely a negligible 14 million. Almost all the East European countries, except for Czechoslovakia, found themselves with fewer Soviet imports. Bulgaria continues to have a relatively negative trade balance with the Soviet Union, as does Hungary. All the other countries received more from the Soviet Union than they exported. The most notable move in trade was with Poland. Whereas last year the Soviets had almost a 400 million ruble trade surplus, this year it is just 200 million for the first quarter.

LETTER TO THE EDITOR

Dear Marshall,

During more than the last decade I have held that the Soviets have had sufficient reserves and undiscovered resources of oil to maintain their production at levels called for by their planning. These predictions were based on study of the geology of the producing basins of the Soviet Union.

Now for the first time I see factors that may very well restrain their ability to continue to maintain their high rate of oil production. Some of the large new fields that are being brought on stream have high initial water cuts in the oil. In addition, the reservoir rock of these fields is not very good -- "scrappy" in the parlance of the petroleum engineer. The decision to produce these fields must have been made at a time when oil

prices were high. It is quite possible that these fields would not have been developed if their oil was to sell for less than $20. Once on stream, however, actual production costs would be well below the selling price, and they would be produced. The overall activity, however, would be at a loss.

The situation with respect to Russian oil in the near-term, however, is very good. They probably maintain a 2:1 reserves-to-production ratio, and they claim to be meeting their goals for discovering new reserves. They could miss fully replenishing their reserves for a decade and not significantly compromise their reserves-to-production ratio, provided these reserves are not in "scrappy" reservoirs and provided the water cuts are not too high. We will continue carefully to watch these developments.

James W. Clarke
Geologist
U.S. Dept. of the Interior

ANNOUNCEMENT OF CORPORATE SPONSOR SEMINARS

The Russian Research Center has scheduled its annual one-day Journalist Orientation for Monday, September 28. This conference is traditionally our largest, so we encourage our readers to send in applications early while space is still available. If you are not able to commit yourself until the last minute, please call and let us know that you intend to participate. Unregistered participants who appear unexpectedly on the morning of the conference are very difficult to accomodate. A program and application form are included with this newsletter.

In light of the interest shown in joint venture opportunities with the Soviet Union, we have joined forces with the Fairbank Center for East Asian Research at Harvard to schedule a Corporate Seminar for Monday, October 26. We intend to examine the topic of joint ventures, focusing primary attention on opportunities in both the Soviet Union and China. We will try to determine why the Chinese, while not entirely successful in their efforts, have more actively pursued the option of joint venture contracts than the Soviet Union and how Western experiences in Chinese joint ventures can to some degree inform us about what to expect in Soviet joint venture projects.

CURRENCY FIGURES

Rubles Purchased per 100	Aug 12 1987	Aug 19 1987
Austrian shilling	4.89	4.90
UK pound	101.61	102.58
FRG mark	34.36	34.45
US dollar	64.93	64.60
French franc	10.31	10.31
Japanese yen	.429	.430
Italian lira	.0474	.0476
Swiss franc	41.41	41.52

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SOVIET BALANCE OF TRADE WITH EASTERN EUROPE FOR THE FIRST QUARTER OF 1982 - 1987

(in million rubles)

	Exports from U.S.S.R.						Imports to U.S.S.R.					
	1982	1983	1984	1985	1986	1987	1982	1983	1984	1985	1986	1987
Bulgaria	1105	1357	1517	1423	1607	1462	1134	1327	1405	1436	1421	1570
Czechoslovakia	1161	1421	1563	1545	1537	1538	1247	1341	1468	1550	1555	1585
GDR	1358	1641	1754	1819	1847	1718	1507	1607	1935	1916	1742	1676
Hungary	838	952	1123	1106	1118	1011	837	899	1005	1114	1148	1172
Poland	1115	1258	1369	1460	1601	1444	893	1187	1263	1194	1233	1232
Romania	346	433	499	426	698	598	432	444	452	485	586	522
	5923	7062	7825	7779	8408	7771	6050	6805	7528	7695	7685	7,57
	-127	+257	+297	+84	+723	+14						

Gorbachev's *perestroika* and the 'new' Soviet Union

By Marshall I. Goldman
Special to The Globe

The contrast between what is and what is supposed to be in the future could not be sharper. Arriving at a Soviet airport or border crossing, the traveler, whether foreign or Soviet, is met with a snarl and a suspicious look – a response not much different from that found in any Moscow government office or store. But why, asks one of the new *glasnost*-age newspapers, can't we smile at one another? After all, "What deposit box have [our smiles] been stashed in. . . . *Perestroika* [restructuring] is under way. . . . Let us greet the future with beaming faces."

While the Soviet Union is always a fascinating place for a sovietologist to visit, this year it is more so than usual. What has been one of the most conservative societies in the world is now being stirred by Mikhail Gorbachev and his *glasnost* [openness] policies. Soviet officials have always claimed that the Soviet Union was a revolutionary force, but that was a facade, hiding a social, economic and political system which had barely changed since the early 1930s. In fact, except in the mid-1950s and again in the mid-1960s, far-reaching change and even proposals for such change were rarely made. For that matter, even to suggest to a Soviet official or scholar that the Soviet Union might benefit from some alteration of domestic policy was to invite a diatribe about how sovietologists are nothing but lackeys of the military-industrial complex. But now that seems to have changed. This June it almost seemed as if all those past defenders of the Soviet system had been passed through an ideological laundromat. Yet whatever the ideological ferment, in many ways the Soviet Union with its snarls and suspicions seems like the same old place. There is considerable change in the air, but as yet still relatively little on the ground.

Yet the visitor does notice some physical changes. There is of course a danger of overenthusiasm, but it does not seem that an effort has been made to brighten up what have heretofore been the austere and often gloomy Soviet cities. Moscow and Leningrad streets now sprout a few outdoor cafes under bright colored awnings and canopies. The Soviets have also erected dozens of wooden teepee-like kiosks. They are intended to provide additional outlets for the sale of summer merchandise in order to supplement the perennial shortage of Soviet sales outlets. Unfortunately the vast majority of these teepees looked like they were used only on opening day.

The Soviets are also making an effort to provide better facilities for tourists. Within the last few years, three or four new hotels have been opened and they are also remodeling the venerable Metropol in Moscow and Astoria in Leningrad (even if it takes Finnish laborers to do this). They have a long way to go, since the service in even the new hotels has to be experienced to be believed. But there are exceptions, especially in the Hotel Mezhdunarodnaia, built by Dr. Armand Hammer.

Long lines for food

What has not changed, even now after two years of *perestroika*, are the ubiquitous long lines for food. Meat and chicken from Hungary are in somewhat better supply, but because of the cold, late winter and spring floods, fruit deliveries are later than normal and as a consequence, the lines longer than usual. Then, of course, there are the Gorbachev lines for vodka and even beer. It is illegal to serve or sell any alcoholic beverage before 2 p.m., but the lines start forming as early as noon.

Similarly, most buildings, even new ones, seem as shabby as ever. Nor is there any noticeable change in the number of policemen on the streets. Despite *glasnost*, *perestroika* and the call for more individual initiative and self-reliance, the state still finds it necessary to superintend the most trivial human activities. Nowhere was this more evident than in the departure lounge of the Leningrad airport, where it appeared as if someone had purposefully set out to make a relatively simple matter a chaotic cacophony of confusion.

But it is in the intellectual realm where the ferment is the most fascinating. Everyone is talking or reading about the latest resurrection of history or revelation of malfeasance. Moreover, Soviet newspapers have taken to publishing the most unexpected things. They still don't print everything, but never before have they printed attacks on Soviet military generals and a colonel for "rudeness, boorishness and intimidation," as well as a "loss of Party quality, social distortion and moral disease." Moscow News, one of the more outspoken if seldom available weekly newspapers, had an article describing why Soviet readers had such a hard time trying to buy copies of the paper.

For me one of the most surprising signs of change was a request by a reporter from the same Moscow News for an interview with me. Admittedly, I am a bit of a masochist. I have been interviewed many times before by Soviet reporters and each time not only my words, but my ideas were so badly mangled that my reported comments end up as the opposite of what I actually said. Occasionally that happens in the West as well, but with nowhere near the consistency that it happens in the Soviet Union. Nonetheless, I keep agreeing to Soviet interviews in the hope that at least part of my message will get through. Imagine my amazement then when my interview was published and published accurately. The editors prefaced my article with the caveat that "our editorial staff does not see Goldman's view as final," but no one was assigned to rebut my article, as often happens when the Soviets print critical Western viewpoints. And my comments were very critical. Yet the paper quoted me as saying that the effort to bring joint ventures to the Soviet Union would not work as long as the Soviets were so demanding and foreigners could not make a profit. They also reported the findings of my book that reveal that the productivity of equipment imported into the Soviet Union from the West is only about 60 percent of what that same equipment attains in the outside world.

In another offshoot of *glasnost*, a group of local residents had mobilized to halt a state construction team from cutting down a 200-year-old elm tree. They had organized a 24-hour watch. I was even invited to sign a protest petition. After a few days they had collected 2,000 signatures.

Environmental concerns

This *glasnost* about the environment has even resulted in a long-denied acknowledgement that environmental degradation of Lake Baikal continues. For more than 15 years the official Soviet media have insisted that the discharge from cellulose plants into the world's most unique fresh-water lake was being properly treated. Believing what they heard, the United Nations in June 1985 gave the Soviet Academy of Sciences a special award for protecting Lake Baikal. In reality, however, the degradation continues much as before. With *glasnost*, however, things have finally changed. In May of this year, Soviet authorities finally decided to fire the deputy minister of the USSR Timber, Pulp, Paper and Wood Processing Industry for improper operation of the plants on Lake Baikal. They also fired the deputy minister of the Forestry Industry for needlessly removing trees from the watershed. Most important of all, Soviet authorities have finally faced up to the fact that the cellulose plants should never have been built in the first place. They have decided to convert them to furniture factories. That certainly is a step in the right direction. However, in the spirit of *glasnost*, Valentin Rasputin, a writer who has been a persistent critic of any development in the region, again complained that these new proposals were not much different from the old ones. It was nice to hear that the factories would be converted, but he noted that conversion would take place only in five years time. *Glasnost* is good, but action is better.

In the sphere of economic theory, a good friend, Nikolai Shmelev, wrote an article in something comparable to the New Yorker, in which he bitterly attacked the existing economic system. As he sees it, central planning and the ban on private initiative no longer make sense. Illogically, Soviet authorities delight in the harassment of imaginative peasants eager to make a profit by transporting strawberries and meat from surplus regions to those with deficits. At the same time, those same bureaucrats placidly spend billions of dollars a year on food imports to offset the shortages. Among other solutions, Shmelev calls for an open acknowledgement of a 2-to-3-percent unemployment rate; that will serve to make Soviet workers take their jobs more seriously. He wants prices, profits and contracts to replace planning; that will lead to greater attention to costs, quality and consumer satisfaction. Among other surprises, he wants to make the ruble freely convertible and allow Soviet enterprises and civilians to import and export anything they want; that is the way to end Soviet protectionism and force Soviet manufacturers to face up to world quality standards.

Western sovietologists have been advocating similar reforms for decades. It is exhilarating, although a bit of a shock, to see Soviet economists advocating the same changes, even if politically they will be very difficult to digest. That is why Mikhail S. Gorbachev's acceptance of a more timid, but nonetheless vaguely similar brand of *perestroika* has aroused such interest both in and outside the Soviet Union. While he has attacked Shmelev by name for his unemployment proposal, Gorbachev and his close advisers have called for some version or another of almost everything else he proposes.

Gorbachev's program resisted

For his audacity, Gorbachev has encountered fierce resistance. It was the talk of Moscow that before the June meeting of the Central Committee of the Communist Party, Gorbachev publicly acknowledged that he had been unable to push through 12 laws that he wanted which would have circumscribed the central planners. Reflecting the power of the bureaucrats seeking to protect their jobs, as well as legitimate concerns that many of the laws were imperfect, these bureaucrats forced Gorbachev to wait until 1991 to implement the bulk of his program. He did win approval to put one law affecting enterprise operations into effect next year and he did manage to make three confederates full members of the Politburo, but his inability to win approval for his full legislative package and his failure to purge some of the Brezhnev holdovers from the Politburo is a clear indication of the opposition that Gorbachev's reforms are encountering.

No one can deny that even if Soviet border guards, hotel clerks and bureaucrats still snarl instead of smile, the Soviet Union nonetheless has been infused with new and more vital ideas. But as the continuing resistance to Gorbachev shows, so far the implementation of those ideas, especially in the form of concrete economic and political actions, leaves much to be desired.

Several skeptics found striking comparisons with the reform process in Czechoslovakia in 1968. What, they ask, is the difference between the ill-fated Alexander Dubcek, the Czech reformer, and Gorbachev? "None!" they answer, "only Gorbachev doesn't know it yet."

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Beijing Shows Moscow the Way

By Marshall I. Goldman

Just like Deng Xiaoping before him, Mikhail Gorbachev has made economic reform his number one priority. Unhappily for the true believers in Marxism and Stalinism, both leaders now concede that the use of central planning and a de-emphasis, if not an outright ban, on market processes and even private enterprise and foreign investment may make for purity of ideological thought, but bring with it economic distortion and serious shortcomings.

The problem that no centrally planned communist country seems able to resolve is that the central planners always insist on greater economic growth than the population at large is willing to support. This results in an over-ambitious investment program, which in turn necessitates forced saving. Thus, in virtually all centrally planned economies, demand in the form of purchasing capacity almost always far exceeds the goods available to absorb the demand.

Not surprisingly in that kind of environment, the workers quickly conclude that if the state is going to pretend that it is paying them, they in turn will pretend to work. Inevitably, the result is poor quality, lack of innovation and an increased determination by the planners to solve the problem. As one Chinese analyst put it, "The more centralized, the more rigid the economy, the lazier the people [and] the poorer they are; and the poorer the people are, the greater the need for centralization."

Wounded Pride

After some hesitation, Mr. Gorbachev has now decided that, like Mr. Deng, he must break out of this rut. Within the past few weeks, he has announced some bold initiatives, many of which bear a striking resemblance to those Mr. Deng introduced a few years earlier in China. Just how similar is Mr. Gorbachev's approach and what might he learn from Mr. Deng's efforts before him?

Soviet officials and researchers take unkindly to suggestions that what the Chinese are doing might provide some guidance to them. They are as happy to hear that as they are to hear that the new Soviet reforms bear an uncanny resemblance to what takes place in capitalist economies. Such responses are mostly a consequence of wounded pride and an unwillingness to acknowledge that 60 years of central planning have produced needless sacrifices. It hurts to realize that although the Soviet Union produces 50% more steel than any other country, it fails miserably in the realm of consumer well-being and high technology.

In fact, until early last year, the official Soviet line was that reforms in China were ill-suited for the Soviet Union. Soviet scholars could find virtually nothing to praise about the Chinese reforms, which began in 1978. Soviet writers repeatedly scorned the monumental changes taking place in Chinese agriculture. In their eyes, the growth in output was nothing to exult about; whatever growth there was came at the expense of the mass of the peasantry. While some Chinese were indeed becoming richer, too many other peasants remained poor. Moreover, those Chinese who did earn more did so by pushing up food prices, something bitterly resented by the urban workers and bureaucrats. Finally, the growing breakup of the communal fields meant the end of economies of scale that came when the small plots of individual peasants were combined.

As for such other measures as the legitimation of the private trader, the return of foreign investors, the establishment of special economic zones and the decentralization of investment, Soviet commentators saw this as reinforcement of their argument that China had long since turned its back on communism and for that matter even on socialism. No wonder unemployment, prostitution and juvenile crime were returning to China.

Such criticism of the Chinese experiment predated Mr. Gorbachev's rise to power in March 1985, but continued throughout most of the first year he was in control. Hostility to reform in general was similarly reflected in Mr. Gorbachev's economic policy. Throughout 1985, Mr. Gorbachev's vision of the future seemed to be restricted to a return to discipline and to a rejection of vodka. There was also the traditional plea for both more centralization and more decentralization, but as in the past, it was unlikely that Mr. Gorbachev would be able to combine such divergent policies any more successfully than his predecessors did.

Whereas the Chinese leapt at the chance to establish their own enterprises, the Soviets seem hesitant if not actually averse.

One of the first hints that there might be a change in how the Soviet Union looked at China occurred in January 1986. While I was on a visit to Moscow, some Soviet officials revealed to my wife, a China specialist, that they were about to be sent to China "to see if there might be something there relevant after all." There must have been, because shortly thereafter, the tone used to describe the Chinese experiment changed abruptly. At times, the praise was just as unbalanced and unwarranted as the criticism had been earlier.

This year, the Soviet economists and officials began to announce the advent of some far-reaching institutional changes. Although even now it is not acknowledged, most of these changes had been introduced considerably earlier in China. The Soviet Union so far has not copied everything the Chinese have done, but now private trade and joint ventures are legal and the Soviet Union is also talking about allowing more of a role for the market, prices, and managerial discretion.

What strikes the visitor to the Soviet Union about the process there compared with China, however, is not only how long it has taken such proposals to win acceptance, but the comparative lack of enthusiasm with which they are being implemented. This is unlike China, where private trade seems to be flourishing and joint ventures, while hardly the success it was hoped they would be, nonetheless seem to be attractive enough for those who are patient and willing to settle for second or even third best.

By contrast, economic reform in the Soviet Union is virtually all talk so far. (Admittedly, the kind of talk one hears today was all but impossible to hear a few months ago.) Whereas the Chinese leapt at the chance to set up joint ventures and establish their own enterprises, and even their own trade associations for private merchants, the Soviets seem hesitant if not actually averse. Five months after it has become legal to have joint ventures, only six minor efforts have actually been approved in the Soviet Union and none as yet are operating. In China, by contrast, once joint ventures were legal, hundreds were created.

There is the same hesitancy in the Soviet Union about going into business for yourself. As one state taxi driver put it during my visit to Moscow, "If we were German, there might be more private taxi drivers; but we are Slavs." A sample of 20 state drivers in Moscow and Leningrad indicated a similar hesitancy.

It is not only the difference in culture, but also the impediments created by the bureaucrats. Certainly not all Chinese bureaucrats have been fully supportive, but Soviet officials seem to have gone to extra lengths to ensure that little of significance will take place. It is as if they are trying to protect themselves against the day when Mr. Gorbachev is gone and someone then asks: "Who was it who made it easy to allow for the bourgeois exploitation of the Soviet people?"

Why Take Risks?

Reform might have come easier to the Soviet Union had Leonid Brezhnev lived four years longer. As Mr. Gorbachev himself has said, the last years of Mr. Brezhnev's life, particularly the last four, brought the Soviet Union to "a semi-crisis." If Mr. Brezhnev had lived four years longer, perhaps then as in China after its Cultural Revolution, the economy and the Soviet Communist Party would have been in such a shambles that everyone in the Soviet Union would have been eager for reform. As it is, the party is still there to oppose change and, after all, the Soviet economy is not now about to collapse—so why take such risks? It would also help if the Soviets had a band of supporters like the overseas Chinese.

Yet however more favorable the environment in China, if the reforms are to take hold in the Soviet Union, Mr. Gorbachev himself ultimately will have to make an even greater commitment to the change. When asked about their reforms, the Chinese cite Mr. Deng's statement that it matters not whether the cat is black or white, but only whether it catches mice. So far, Mr. Gorbachev, as committed as he is to increasing the role of the market, is unwilling to describe the cat as anything but red. That may keep his ideologues quiet, but sooner or later he will also have to acknowledge that it is the wrong signal.

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OPINION

The social costs of economic change East and West

By T. Anthony Jones

IN the last few weeks, Mikhail Gorbachev's position seems to have strengthened, and as a result his reforms seem more likely than ever to become a reality. Regardless of Mr. Gorbachev's fate, though, the social contract in the Soviet Union is in for a major overhaul in the next few years. In addition to those policies designed to get the economy moving, there are also long-term trends in the use of new technologies that will fundamentally change the relationship between the state and civil society.

Adjusting to new technology is proving to be painful for large segments of the population in the West, and it looks very much as if the Soviet Union is now going to share the experience. Some elements of the "restructuring" (*perestroika*) have already received some attention in the West, especially those involving the tying of wages to effort, and the growing emphasis on the profit motive.

Although the difficulties are enormous, it seems clear now that Soviet industries are in for major reorganization during the next decade or so. The emphasis on profitablility and efficiency, however, has already given rise to a heated debate on the social consequences of such a move. The very foundation of the social contract, the guarantee of full employment, is being put in jeopardy. The population, though, is being given mixed signals. Some commentators talk about the possibility of unemployment as a permanent feature of Soviet society, with others assuring people that displaced workers will be allocated new jobs.

But where? Given the current waste of labor which the system encourages, and the consequent shortage of labor throughout the economy, laid-off workers will find it relatively easy to find employment of some kind.

Also, Soviet economists claim, technological growth will create enough new jobs to prevent unemployment from becoming a problem.

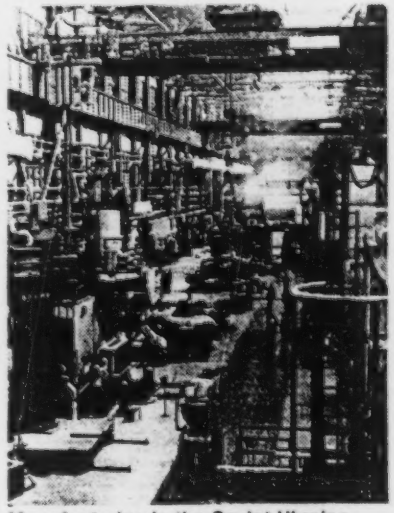
So far, the discussion has sounded very much like that which took place in the West a decade ago. According to Soviet planners, though, the similarities are superficial, for they claim that a socialist economy can avoid the problems of the Western nations. My own examination leads me to think that the similarities may prove to be considerable.

Although the USSR has not automated its industries to the same extent as other industrial societies have, automation has nevertheless been developing steadily since the early '70s. Although it now affects only about 1 in 8 industrial workers, automation will rapidly spread in the coming years. As this occurs, displaced workers will have to find alternative work. Some will move to less skilled, lower-paid jobs in manufacturing and construction, but many will have to take jobs in the service sector.

Since automation affects primarily manufacturing jobs (about one-third of the labor force), the shortage of service workers is not likely to be eased through new technology, and so the demand for labor in this sector will remain high.

This reallocation will not only produce a change in occupation, it will also mean a significant decline in income. Not only are service workers paid less than those in manufacturing, but the gap has been steadily widening. In the early 1940s the gap was only about 5 percent, but by 1984 service workers were on the average getting 30 percent less. Wages of the least skilled service workers (probably 10 percent of the labor force) are even further behind.

For many Soviet workers, the old social contract will no longer be in operation. For some, unemployment may become a fact of life, and for many of those whose manufacturing jobs disappear there will be a significant decline in their incomes. The transition will be cushioned by the provision of full pay for up to three months during which workers can search for work or retrain, but for many this will just delay pay cuts. For those who fail to find work, the payments will presumably come to an end. Those who are not displaced may not be entirely safe, either, since it is already becoming clear that



Manufacturing in the Soviet Ukraine

wages of workers in automating and robotizing workshops often decline as the job description changes.

As in the West, therefore, many workers will have to scale down their aspirations and settle for a future less bright than they had envisaged. So, of course, will their children, for an additional reason – the educational reforms of 1984. If the reforms survive the current public hostility toward them, they will result in up to 70 percent of 15-year-olds moving into special vocational-technical schools. It is clear that it will be the sons and daughters of those lower down the social scale who will populate these schools. Entry to higher education, and hence to a place in the intelligentsia, is most unlikely for these pupils, despite various "affirmative action" programs to take social background and experience into account. So for many parents the dream of upward mobility for their children may be another hope to be given up.

Popular resistance to Gorbachev's reforms has been aimed in large part at their consequences for "social justice," in particular at the redistribution of income and the threat to job security. Letters to the editor complain that workers are having to pay the costs of change, and some workers have even begun overtly to resist some of the new programs.

Even if the reforms are scrapped, however, the continuing introduction of new technology will have the same effect. As in the West, automation and robotization may be expected to have a profound effect on social and economic life, and getting rid of particular leaders and policies will not prevent this from happening. Also as in the West, Soviet economists and planners are having to rethink their attitudes to technology. The earlier, blindly optimistic assumptions that new technologies bring nothing but benefits is giving way to a concern for the "human" aspects of industrial organization.

Indeed, there is much talk these days of reorganizing the workplace to make work more interesting, and of designing technology in such a way that it does not "deskill" jobs. Whatever the fate of these proposals, it is clear that the years ahead will see changes in the Soviet social contract, with or without Gorbachev.

Whether this will mean greater convergence of East and West, though, remains to be seen.

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